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**A VIEW**  
**OF THE**  
**MONEY SYSTEM OF ENGLAND,**  
**FROM THE CONQUEST;**  
**WITH PROPOSALS FOR**  
**ESTABLISHING A SECURE AND EQUABLE**  
**CREDIT CURRENCY.**

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**BY JAMES TAYLOR.**

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" Above all things good policy is to be used, that the treasure and monies in a state be not gathered into few hands; for otherwise a state may have a good stock and yet starve; and money is like muck, no good except it be spread."

BACON.

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**1828.**

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MONETARY SYSTEM OF GREAT BRITAIN

FROM THE YEAR 1700

TO THE PRESENT TIME

BY JOHN GUTHRIE, ESQ.

OF THE BARR

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BY JOHN GUTHRIE, ESQ.

WITH AN APPENDIX CONTAINING A LIST OF THE NAMES OF THE BANKERS AND MERCHANTS WHOSE NAMES ARE ASSOCIATED WITH THE MONETARY SYSTEM OF GREAT BRITAIN

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## ADVERTISEMENT.

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ABOUT two years ago the Author of these remarks published a little pamphlet, entitled, "No Trust, no Trade." It was soon afterwards out of print, and he was urged to bring out a second edition. But having found from subsequent discussions that information was wanted upon the subject, rather than argument, he has, in the following pages, incorporated the substance of his former pamphlet, in a general View of the History of English Money from the Conquest to the present time, and of its effects at various periods upon the condition of the English people. The historical facts brought forward are generally of such notoriety to the readers of English history, that he has thought it needless to encumber the work with formal references. He has only had to show the order in which certain events succeeded certain changes in the money system. For the records which more immediately relate to money, and which are not so generally known, he would refer to Tindal's "Notes on Rapin's History," Leake's "Historical Account of English Money," and Runding's "Annals of the Coinage." To the latter work he feels himself much indebted for a great number of important documents and interesting particulars.

*Bakewell, May, 1828.*





A VIEW  
OF THE  
MONEY HISTORY OF ENGLAND.

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WILLIAM THE FIRST.

WHEN William had accomplished the conquest of England, he ordered an exact survey and valuation to be made of all the lands in the kingdom, recording their proprietors, tenures, the quantity of pasture, wood, and arable land which they contained, and generally the number of tenants, cottagers, and slaves who lived upon them. Having obtained the nation by conquest, he regarded every man as his steward, liable to render an account to him of whatever he possessed.

It is also recorded that he brought the Jews from Rouen into England; and that he adopted the present method of account: viz. that of reckoning by pounds, shillings, and pence, or by pounds, ounces, and pennyweights. The pound weight of silver constituted the pound, which was divided either into 12 shillings composed of 20 pennies each, or 20 shillings of 12 pennies; but it was not till some reigns afterward that it obtained the denomination of the pound sterling. The shilling, like the pound, was probably money of account. The only piece of money known to be current as coin was the denarius, or penny, the value of which, estimated according to the proportion it bore to the pound weight of standard silver, was as 1 to 240, or  $3\frac{1}{4}d.$  about of our present money.

furnished him with the means of taking possession of that money by violence if he chose ; but had he done this he would have destroyed the inducement which the people would otherwise have to get it again : he therefore wisely drew it from them, by making it their interest to give it to him voluntarily, as an acquittance from some obnoxious duty or more burthensome forfeiture. Thus, the vavasor who had a hundred shillings at command, would no doubt gladly pay it for the relief of his estates, rather than have the mortification and trouble of giving up his best horse, and providing himself with another coat of mail, helmet, sword, &c. ; whilst the hundred shillings, being endowed with power to acquit the vavasor from such a tax, would gladly be received by the nobleman, as a means of commutation for the services and provisions which the king demanded of him. Hence, also, merchants who could send English produce abroad and bring silver back, had a market at home ready for it. The same view holds good with respect to one who had bread to provide for a hundred men : a shilling being made the equivalent, he that had the shilling would doubtless give it in lieu of so troublesome a payment in kind. This, it is obvious, would be done upon the same principle as that which induces the farmers now to pay their tithes generally in money. The tithe collector finds it much more convenient to receive money than produce ; he therefore offers to take, as a commutation, such a sum as the farmer knows to be of somewhat less relative value in the market than the hay, corn, or wool which he must otherwise give, and therefore he sells his goods, and gives money to the tithe collector. Upon this principle, therefore, William got his wants supplied. He fixed the rate at which he would receive money as a commutation for services or purveyance, and this gave the coin payable as tribute its circulating value. Having an exact knowledge of his subjects' stores, he well knew how to proportion the commutation, so as to secure himself in the receipt of

a large share of their precious metals; and this being done, he had only to take his moneyers with him wherever he went, for the purpose of coining, and his wants were sure of being supplied. Agreeably to this view, the money of those early days is often found to have been coined even in villages, where it happened that the king had staid.

Thus the money system of the Conqueror was rather calculated to be a convenient mode of taxation, or of collecting a revenue through the willing agency of the people, than a system of currency, though it is obvious that a currency system would very naturally grow out of it. This may be illustrated by what has happened in our own times, if we observe the operation of our credit system, as it existed under the Bank Restriction Act. The government was empowered by parliament to enforce payment of a given number of millions of pounds sterling from the people for the forthcoming year. The bank note was authorized by law to represent the pound sterling. Payment of the money was then anticipated by exchequer bills; the Bank of England gave their promissory notes to government for the exchequer bills; with the promissory notes of the Bank of England the government purchased their stores from the people; and the people were content to take those notes for the produce of their labour, &c., because the government was pledged to take them again for taxes. The notes, after performing a long round of circulation, viz. from the government to the contractor; from the contractor to the factor; the factor to the manufacturer; from him to the various workmen employed; and from them to the butcher, baker, &c. who paid them to the farmer, and he to the landowner; found their way back to government through the direct or indirect taxes of all these people. And with the bank notes thus returned to government, the exchequer bills ought to have been redeemed.

Our view begins with the state of money in the reign of William the Conqueror, because from that period to the pre-



sent we have an uninterrupted record of its history. But prior to his time, a similar system appears to have prevailed, even to the first subjugation of this country by the Romans. Cæsar says that the Britons had no money; but that pieces of brass and iron were esteemed valuable among them according to their weight, and that these supplied the place of coin. Such pieces of metal were useful as objects of barter, but they would serve equally for money.

Camden thinks that after the arrival of the Romans in this Isle, the Britons imitated them in their coins; that this sort of money did not pass current in the way of trade, but was at first coined for some special purpose; and that after Cæsar had imposed a tribute upon the Britons, and they were afterwards oppressed with customs, and other taxes for corn-grounds, plantations, groves, pasturage of greater and lesser cattle, such coins were first stamped for these uses: for greater cattle with a house, for lesser with a hog, for woods with a tree, for corn-grounds with an ear of corn; those with a man's head for poll-money. I have thought (says he) that in old times there was a certain sort of money coined on purpose for this use, seeing in Scripture it is called *tribute money*; and I am the more confirmed in this opinion, because in some of the British pieces there is the Mint master stamping the money with Tascia, which, among the Britons, signifies a tribute penny. But if this money was first coined for the express purpose of tax or tribute, it afterwards came into common use.

The money of William being accompanied with the alternative of payment to the crown in kind, if the people preferred it, was properly taxation money. It received its value from the obligation which was imposed upon the people, either to pay the tax in kind, or to pay a piece of money which the king would receive in acquittance of that tax. Under a patriarchal system, whilst no taxes were paid and no taxation money existed, the precious metals would be ex-



changed purely on the barter system; and no man being compelled to acquire specie, a fixed value, of course, would not be assigned to it. But under a monarchy, when taxes were imposed and every individual had to provide not merely for his own wants, but also for his share of the wants of the king, — as each man must give the required portion of his property or personal services, or something which the state agrees to receive in lieu of that property or personal service, — so money would then be of positive value, equal to the worth of that which it represented. In the time of the Conqueror, we have seen that a pound weight of standard silver (or proportions thereof, duly stamped by the king's moneyer,) was made to possess this representative value; but whilst accompanied with the alternative of payment in kind, the production of such money as a tax could never be onerous to the people; because no one had the power to enhance its value beyond that of the service or sacrifice for which it was held to be an equivalent.

## WILLIAM THE SECOND.

WILLIAM the Second continued to act upon the same money system as his father: but he possessed neither the knowledge nor the prudence which distinguished the Conqueror; nor could he have so correct an idea of the relative wealth of his subjects; because, in the nature of things, their condition would undergo a change, and, by the operation of the money system itself, that part of the people's wealth, which consisted of the precious metals, would be transferred to other hands. It is true that he had the advantage of entering into possession of his father's store; but this he soon squandered; and when it was gone he was put to his wits to find the means of getting it back again. To meet his necessities, money,

commutations came too slowly in : but to make amends for this, he greatly increased the rate of them wherever he could. It is stated by Ordericus Vitalis, that in the 10th year of his reign, he got 3,000 pounds from Robert de Belesme, earl of Arundel and Shrewsbury, upon the death of his brother Hugh de Montgomery, as *a relief* for the said earldom, whereas, a short time before, 6,666 pounds is stated to have been the *purchase money* of the dukedom of Normandy. Upon another occasion he had recourse to the following expedient, to supply himself with money. He gave orders that 20,000 men should be raised with all possible speed. In raising this army, those were purposely selected to whom it was particularly inconvenient to leave their families and occupations. When these levies were going to embark, the king's treasurer told them by the king's order, that they might every man repair to his own home upon the payment of ten shillings each. The soldiers being all willing to be dismissed upon such terms, paid the money, and so William raised by the manœuvre £10,000.

Malmsbury says, that the taxes imposed upon the land in this reign were so heavy, that the farmers abandoned tillage, and a famine ensued.

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## HENRY THE FIRST.

THESE modes of taxation were harassing enough, but not intolerable, since the demands of money continued to be accompanied, at least ostensibly, with the alternative of payment in kind, or personal service ; the choice of this alternative, although the benefit of it was at the time not duly appreciated by the people, gave to the money system of that day a character of equity, which was lost when payment in money alone was afterwards rendered imperative.

But the uncertainty which every man felt in his tenure, when all his possessions were held at the pleasure of the king, and the liability of the people to have soldiers quartered upon them, and to be called on to supply the necessities of war or the luxuries of the state at the mere will of the monarch, prepared the nation to regard as a benefactor Henry, the brother and successor of William II., who, to secure a crown irregularly obtained, granted to the people a charter, the immediate design of which was, to render their possessions more secure, and their contributions to the state apparently more definite. As a part of this definite system, the provisions of the king's household, which were accustomed to be furnished in kind, were now rated at certain prices, and collected in money. Beneficial as the definite contribution might be to those who knew how to make the best use of it, the absolute money system which grew out of it presently became to the bulk of the people an instrument of great oppression. Whilst they were required to supply stores, which they had the option of commuting for money, if more convenient to themselves, they were safe from the demand being carried much beyond the occasion; for a superfluity of sheep and oxen would have been almost as inconvenient to the king's establishment, as the not having enough; but the case was altered when money had become the unconditional representative of supplies in kind. Then, to accumulate money was to accumulate sheep, oxen, bread, clothing, &c. in advance, without the trouble, in the meantime, of taking care of them; and to have power, thus obtained, over the necessities of life, brought the property of the people more under the king's control than the sword could bring it.

Henry appears to have understood how to manage this system for his own aggrandizement. His forte was to get money: for want of the like tact, his brother Robert was ruined by him. Having by the charter, and his fair promises to the people, secured himself in the possession of the crown of Eng-



land, he pretended to be forced to go to war with the two tyrants of Normandy, (as they were called,) viz. Robert de Belesme and the Earl of Mortaigne. On this ground he oppressed his own subjects by an exorbitant tax, although the object was one in which it was notorious that the English had not the least concern. Notwithstanding the charter, and his promises to the people, "this tax (says Rapin,) was levied with all imaginable rigour, even to the imprisoning and plaguing various ways such as had refused, or *had not wherewithal to pay it.*" As soon as his preparations were finished, he passed into Normandy with a numerous army, carrying with him large sums of money, with which he bribed the nobles and governors of castles. Amongst other means which he employed for amassing wealth, it is recorded, that when Anselm Archbishop of Canterbury died, Henry kept the revenues of the archbishoprick to himself for five years. On another occasion, he yielded to the Pope a power to prevent the clergy of England from marrying, and afterwards obtained for himself authority to execute the decrees of the church against the clergy, not, as it appears, to prevent them from marrying, but to make money by it. For when he became invested with the Pope's authority, he gave the priests leave without scruple to keep their wives, upon paying him money for a dispensation; and when it is recollected how much the superstition of those days favoured the priests in acquiring wealth, it is probable that this was to Henry a fruitful source of revenue. The marriage of his daughter also furnished him with a pretext to extort money very largely from the people. At that time he levied a tax of three shillings on every hide of land, which was thought an immense burden.

Henry soon made it apparent, that under a king who was a shrewd money-scrivener, and an ambitious man, an absolute money system, compared with the absolute military power of the Conqueror, was infinitely superior as a means of oppression. William, it is true, knew of how much wool he could fleece his English flocks; but then, like a prudent shep-

herd, he was satisfied with the fleece,—he seldom, or never, touched the carcase. He considered every man in the kingdom bound to pay according to what he had ; but it does not appear that he ever demanded that which his subjects had not.

Now, however, under the refined art of Henry's absolute money system, the people were liable to be imprisoned and punished for not complying with impossible demands. After this experience, which was in the early part of Henry's reign, the people could no longer remain ignorant of the supreme importance of money. The prudent hoarded the good coin, and the ingenious supplied its place with bad, which the absence of better caused for some time to be tolerated in the circulation, till in the end, Henry, who was in Normandy, finding his money would not pay for so much as it formerly did, sent orders that the severest sentence of the law should be inflicted upon all his moneyers, and this sentence was actually executed on ninety-four persons. After this he had recourse to a new coinage, which was a new evil, for one of the old chroniclers tells us, "by thus changing the money, all things became most dear, whereof a right sore famine ensued."

It is remarkable that to the changing of the money is attributed the dearness of provisions, and the dearness of provisions (not the scarcity of them) is made the cause of the famine. Thus the case of the poor people of that day was very much like that of the weavers of Lancashire in 1826. If they could get money they could get food, but if they could not get money, it was all the same as a famine to them. The change of the money being assigned as the cause of the dearness of provisions, renders it probable that the dearness of provisions did not consist in an increased nominal price, but in the greater specific value of the coin, and the consequently increased difficulty of obtaining it. So in our own time, comparing the money value of bread now, with the money value of it some years ago, it is cheaper now than then ; but comparing it with the relative means which the common people

possess of obtaining the money which commands bread, it is considerably dearer now.

When Henry died, he is recorded to have left £100,000 in his treasury, and no doubt, from the character of the man, it was all in money of full weight ; each pound a pound weight of silver.

Thus we see that the foundation of an absolute money system was begun in a series of measures which made it the interest of the people voluntarily to pay tribute in money rather than in kind, wherever they could, and that it was completed in the reign of Henry the First. We have seen that in the outset it became a means of the most galling oppression (the people being punished for what they could not help), the ground of the most sanguinary executions, and the cause of "a right sore famine." Such were the early consequences of the absolute money system. The subsequent history of our country shows, that from that time to the present it has been a continual source of perplexity to the crown, and of injury to the people ; of perplexity to the crown, when a prince reigned who knew not the art of managing this instrument of taxation and tyranny to his own advantage, for then he was sure to be outwitted by *some* of his wealthy subjects, though at the peril of their lives ; of invariable injury to the *people generally* by whomsoever the issues were controlled.

## STEPHEN.

THE circumstances under which Stephen came to the throne soon forced him to distribute among his followers the large stores of his predecessor and with this loss of money, the crown in his hands was shorn of some of its power. Stephen understood not the mystery of money. His necessities induced him to lend the royal sanction to its debasement,



and thus did that measure receive the sanction of the crown in this reign, which in the preceding had subjected ninety-four persons to the severest sentence of the law. The dispersion of the treasure which Henry had accumulated afforded those into whose hands it passed, and who were aware of its increasing power, an opportunity of hoarding it : the confiscations which took place in the next reign, and which were very numerous, gave them an opportunity of purchasing the forfeited estates with it ; and these confiscations thus became the means of again drawing the money into the royal coffers.

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## HENRY THE SECOND.

IN this monarch we have another prudent money-getting king. One of our Historians, speaking of him, says the chief taxation of his time was "when he took escuage\* of Englishmen towards his wars in France, which amounted to 12,000*l.* ; but confiscations were many, because there were many rebellions, and every rebellion was as good as a mine." Henry the Second appears to have well understood, and highly appreciated the power of money, for there was found in his coffers, when he died, no less than 900,000 pounds weight of silver, besides plate and jewels.

One of the first consequences attendant on the introduction of an absolute money system, would be to check the productions of nature, after they had arrived at a point a little beyond the immediate wants of the people ; because to produce more food, when that which was already in existence was more than enough for the present buyers, would be only to reduce the money value of that stock which the growers already possessed, and money, be it remembered, under an absolute money system, alone constitutes value. The

\* A fine in lieu of military service.

corn grower, therefore, would be tempted to hoard his money, rather than to expend it in increasing the productions of the soil ; and this would go on till the progressive increase of the population, having at last overtaken the old average production of the cultivated lands, a famine would ensue, and a famine from this cause, unlike that arising from a temporary interruption in the order of nature, would be some years before it could be counteracted. This effect was produced ; for in the next reign, it is recorded that a dearth did prevail for three or four years, which occasioned so great a mortality that the living scarce sufficed to bury the dead. This famine continued until the population being decreased, and the stock of food probably increased, the stock of food and the people became at length proportioned to each other, and the evil was for that time surmounted.

To be, however, the known possessor of money in those days frequently subjected a man, upon almost any or no pretext, to be attainted of some offence against the king or the laws, for which his money was the forfeiture. Though the king therefore might hoard with impunity, the only way which the common man had of preserving the wealth which he could accumulate, was by burying it, and this created another evil. Mr. Ruding tells us in his *Annals of the Coinage*, that the coins of Henry the Second were rare until a large quantity of them happened to be found at Royston, about the year 1721, and a still larger hoard, to the amount of more than 5,700, at Tealby, in Lincolnshire, in 1807, and in all probability to this day considerable quantities remain concealed in the earth.

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## RICHARD THE FIRST.

HENRY the Second was followed by a succession of improvident kings. In the reign of his son Richard a great famine



was experienced, as we have already noticed. Added to this, Richard so impoverished himself and exhausted his revenues by the Crusade in which he was engaged, that when money was afterwards required to be raised for the ransom of his person, the clergy were forced to bring in their church plate, and for a long time latten (pewter) was used in the place of it. The Crusade, and the ransom together, so drained the kingdom of money, and money was now become so essential as a means of living, since every thing was made to bow to it, that the richest, we are told, had enough to do to maintain themselves. We may imagine what a deplorable state the lower classes must have been in, when such was the condition of the highest ; and we cannot wonder that the common people were ready to favor the sedition of William Fitzosborn, sometimes called Longbeard, who, by advocating the cause of the meanest of the people, is said to have gained the hearts of the populace, and to have been held by them in extreme veneration, insomuch that a rebellion was raised in the city of London on account of a tax, the burden of which, Fitzosborn shewed, would fall wholly on the poor. His fate, however, shewed that it was very dangerous to be a patriot in those days, for he was shortly afterwards hung in chains with nine of his accomplices. His followers stole away his body and buried it, and the superstition ran, that miracles were wrought at his grave. Neither is it to be wondered at, that when the poor were so oppressed, highwaymen and robbers, who attacked the rich, but respected the poor and unprotected, should stand high in the estimation of the community. To this cause was, probably, owing the celebrity of Robin Hood and his party, who lived in these times.

But great as the famine is stated to have been in this reign, it would seem that corn was even then less scarce in England than money; for it is stated by Hoveden, that during the famine, King Richard found ships at St. Valeri full of corn exported from England. This, doubtless, would not have been

the case, if the merchants could have got as much money for the corn in England as abroad. Richard, however, did not enter into their views, for he ordered all the people belonging to those vessels to be hanged.

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## JOHN.

THIS prince finding himself thwarted in obtaining, by the usual means, those heavy contributions which he wished to levy, endeavoured to exact them by mere force. In the conflict, the church proved too shrewd, and the barons too strong for him: he not only failed to attain his object, but after being compelled to surrender the glory of his crown to the pope, and the power of it to the barons, he at length died, broken-hearted and unregretted. The unhappy Jews, however, having nobody to stand up for them, felt the full weight of his injustice. Matthew Paris says, those of both sexes were seized all over England, and dreadfully treated, till they would ransom themselves according to the king's pleasure. Among the rest, a Jew at Bristol, though cruelly tormented, refusing to ransom himself, the king ordered that his torturers should every day pull out one of his cheek teeth, till he would pay down 10,000 marks. Accordingly they pulled out seven in as many days; but on the eighth day he relented, and so, with the loss of seven teeth, parted with 10,000 marks to save the rest. This mode of getting money was obviously much more likely to drive the money out of the kingdom, or into close hiding-places, than to make the king rich, but it affords an illustration of the spirit in which King John would have levied his exactions generally, if his power had been equal to his will.

## HENRY THE THIRD.

THE influence which the pope obtained in England through the weakness of king John was severely felt in the following reign. His holiness had discovered the conveniency, and possessed the power, of collecting his tenths in money. In 1229, the thirteenth year of Henry the Third, it is recorded that these payments were exacted with such severity, that people were compelled to borrow money of the usurers, who came over with the pope's nuncio, and the rate of interest was about 60 per cent. per annum. It is very obvious, that if the pope had been obliged to receive payments in kind, his appetite would have been sooner satisfied, especially if the produce were to have been conveyed to Rome; but when sheep, oxen, &c. were so conveniently capable of being represented by silver money, the *auri sacra fames* became insatiable.

The Italian money merchants, who were now introduced into England by the pope's nuncio, were chiefly distinguished from the Israelitish money merchants in that they enjoyed the pope's protection; whereas, those Jews who had conscience enough publicly to adhere to the faith of their ancestors, were left to the protection of the king. We have an illustration of the nature of that protection in the twenty-fifth year of Henry the Third. In that year writs were directed to the sheriffs of each county, commanding them to return before him, at Worcester, upon Quinquagesima Sunday, six of the richest Jews from every town; or two from those places where there were but few. The professed object of this order was, that the Jews might treat with the king upon matters concerning their mutual benefit. This business, which was to be for the mutual benefit of themselves and the king was, that the Jews should give the king 20,000 marks. He afterwards let the Jews out to farm to his brother Richard, Earl of Cornwall, for a great sum of money, who was to make what more of them he could; and, truly, Richard seems to have been a shrewd



manager of money matters, for when the pope would have borrowed 500 marks of him, the earl replied, he liked not to lend his money to one upon whom he could not distrain. The Jews must have enjoyed a very unenviable protection under such a farmer as Richard.

Hume says, Henry's great defects were want of economy and an ill-judged liberality; but if historians are to be believed, his poverty gendered in him still greater defects, rapacity and meanness. His ways to get money are thus set forth by one of our them: "Never son was more like a father in any thing than King Henry was like his father King John, in this point, for raising money; for he trod directly in all his steps, if he added not something of his own. King John had great subsidies granted him by parliament, for any great action he undertook; so had King Henry. King John resumed the lands aliened from the crown; so did King Henry. King John made benefit of the vacancy of bishopricks and abbeys; so did King Henry. King John took great fines of many for crimes not proved, but only supposed; so did King Henry. And John made benefit of a new seal; so did King Henry. King John extorted great sums from the Jews; so did King Henry. And one way more he had to get money, which perhaps his father had not; and that was by begging, as he told the Abbot of Borough, it was more alms to give money to him, than to the beggar that went from door to door."

But whatever rapacity Henry might manifest in his ways of getting money from his subjects, his brother Richard, the Earl of Cornwall, appears to have been much more deeply versed in the mystery of money making. In the thirty-first year of Henry's reign, Richard obtained the privilege of making new money in the king's name, for twelve years, in England, Ireland, and Wales, and of this privilege he made enormous profit. But Richard himself was at length outwitted. By means of his immense wealth he obtained the title of King of the Romans. Perhaps the pope saw that he was a dangerous com-

petitor in money matters, and therefore favoured his election. The attainment of this honour, however, involved him in expences which presently drained him of all his money, and caused him to return to England in comparative poverty. In the mean time the people of England experienced a complete dearth of money. The demands of the pope and his Italian Jews abroad, and that of King Henry and his Jewish brother Richard at home, caused the absolute money system to act upon the people with the pressure of a perpetual screw ; the demands upon them increasing in proportion as their means were diminishing, until from the dearth of money a dreadful dearth of food ensued. It was, therefore, thought good to change the old money, and to make it baser ; “ whereupon,” says Leake, “ a new stamp was engraven, and all the old stamps were called in ; the old money was exchanged for new, allowing thirteen shillings for every pound, to the great damage of the people, who, besides their travel, charge and long attendance, received of the bankers scarce twenty shillings for thirty. And the reason of this oppression appears to be, because this re-coinage was farmed by the Earl of Cornwall, who was accountable to the king only for the third part. By this means the grievance was increased, instead of being redressed ; and the same Earl of Cornwall, in the forty-first year of King Henry, being elected King of the Romans, is said to have carried into Germany 700,000 pounds sterling, in ready money ; an immense sum in those days, which, added to what the pope had drawn out of the nation, made a very great scarcity of money. It was this want of money, more than of corn, (for corn had several times been dearer than it was then) that made provision so scarce, that an author says, he saw people fighting for the carcasses of dead dogs, and other carrion ; and that they were glad to eat the wash that was set for the hogs, and many died of hunger.”

The power of determining value being limited to money, which itself was limited to silver, it followed as a matter of

course that to accumulate this, either coined or uncoined, was a much surer way to obtain all other things, than to accumulate those things themselves ; and we have seen that the beggary of the king, and the starvation of the lower orders, were the natural, though unthought-of consequence of the general acknowledgment, that value rested upon such a principle. Upon this principle the well-known maxim is founded, " Get money, honestly if you can, but get money." The next two or three reigns show how faithfully this rule was followed, as soon as its importance was discovered.

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### EDWARD THE FIRST.

EDWARD the First, impatient of the beggary to which his father had been reduced, was no sooner in safe possession of the crown, than he shewed himself to be a beggar of a more sturdy class. He was resolved to have money from those who possessed it, without being very delicate about the means ; and the obtaining it from these made his government popular with those who had it not, especially as he appears to have spent the money as freely as he acquired it. The secret of Edward's policy consisted in the skill with which he divided the wealthy powers of the nation against each other, when, by attacking them singly and bringing them by turns to bear upon each other, he so completely subjugated the whole, as to render the power of the crown in his time as absolute as it had been in that of the Conqueror. The Jews were always sufficiently obnoxious to the prejudices of the people to admit of being made an easy prey, whenever it was desirable to assail them. They therefore became the first object of Edward's attack. Under the accusation of having defaced the coin, nearly 300 of them were executed in London, in his fifth year, and their confiscated property brought considerable treasure to the king.



In his eighth year a writ was issued, requiring all his subjects to shew by what title they held their lands. By this he drew considerable sums from the barons and other landed proprietors, and probably would have done much more in that way, but for the spirited defence of John, Earl of Warren, who met him with his own weapons, saying, that he held his lands by the sword, and would so hold them until death.

In his 17th year, Edward fined all his judges for corruption, some in 1,000 marks, some in 2,000, others in 3,000 and 4,000; one in 6,000, and another in 7,000. Sir Adam Stratton, Chief Baron of the Exchequer, was mulcted in the enormous sum of 34,000 marks; and Thomas Wayland, found to be the greatest delinquent, and it is said *of the greatest substance*, had the whole of his estates and goods confiscated. When forfeiture to the king was the punishment, it was a fearful thing for a delinquent to be possessed of great property. In his 18th year Edward banished all the Jews from his kingdom, about 15,000 in number, and confiscated all their goods.

The abuses to which the nation had been subjected by the pope and the clergy, from the time that the pope had obtained the complete ascendancy over king John, prepared the people to acquiesce in any measures on the part of the crown, which went to cripple the ecclesiastical powers. Edward had already drawn frequently and largely upon the revenues of the church, and the clergy, in the spirit either of peace or policy, had quietly submitted. But their patience being exhausted with the continuance of those demands, they at length thought fit to resist an imposition laid upon them in his 25th year. Whereupon, Edward immediately put them out of his protection, by which means they were deprived of justice in any of his courts, so that they were presently forced to concede every thing that he asked. There was perhaps no class of his subjects, possessing money, from whom he did not by one means or other contrive to extort it. But as he does

not appear to have left much behind him, it is fair to conclude that he spent it as freely as he got it, and this may account for the high price of provisions in this reign, their value in money depending essentially upon the amount of money in circulation, (not merely on money in existence,) which amount is always great when the state is possessed of the will and means to cause a great expenditure.

In the 15th year of his reign, wheat was *5d.* a bushel, and in the next year *1s. 6d.* The year following, it was as low as *3d.*, and again as high as *1s. 4d.*, from which price it progressively increased for some years, until at last it was sold for *2s. 6d.* the bushel. In his 27th year, it was again reduced to *5d.* the bushel. These fluctuations in the price of the first necessary of life, at a time when the currency was entirely metallic, shew that extreme changes in value are not the exclusive consequence of a credit currency.

The mode of obtaining supplies which Edward had recourse to was not of a character to last long; it contained within itself the principle of its own destruction. For after he had once drained the wealthy part of his subjects of the bulk of their money, and spent it again, every repetition of the process would be attended with less success; and that which was expended would by degrees find its way into the possession of persons who could either conceal their property from the king's knowledge, or defend it against his demands. Whilst, therefore, the prices of provisions were enhanced by the free expenditure of the monarch, his means of keeping up that expenditure gradually became exhausted. To this cause, aided as it was in his 25th and 26th years by a large foreign expenditure, may be attributed the fact, more than to the increased quantity of provisions, that the money value of wheat in his 27th year was so much reduced. And probably to the same cause may be owing the enactment of a law, in the same year, to limit the price of provisions; for supposing the king to have found difficulty in pro-



curing money to meet the market price of provisions, the next expedient which would suggest itself to his mind, would naturally be to make the market price conform to the amount of his income. By this law it was fixed, that a fat lamb should be sold for 16*d.* from Christmas to Shrovetide, and all the rest of the year for 4*d.*; a goose or a pheasant for 4*d.*; a couple of pullets for 1½*d.*, &c.

So long as the rich supplied him with money, Edward's government, however oppressive it might be to the wealthy, would be favourably regarded by the common people, inasmuch as it suspended the operation of those evils, which an arbitrary money system was calculated to inflict upon them. It is observable, that although there was a long continued scarcity of provisions in this reign, attended with a great increase of their money price, yet as the means of obtaining money kept pace with the increased price, there does not appear to have been any very great distress experienced by the bulk of the people. In former reigns, when similar scarcity existed, though the money value of provisions was kept nominally low, the poorer sort not being able to obtain remuneration for their labour at even that low rate, were often starved to death. This exemption, however, from the oppressive bearing of the money system, could not last long. Laws to restrict the price of provisions are calculated to tell upon the comforts of the community; since to restrict the price of commodities is virtually to restrict the price of the labour expended in producing them; and as labour is the only commodity which the common people have to bring to market, their wealth rises and falls with the money value of it: therefore, to limit the price of provisions was in fact to draw from the poor their labour upon the same terms that the rich had been recently compelled to surrender their property. No doubt, every body thought then, as almost every one does now, that the principle of low prices is an excellent thing in the main, and only bad when applied to one's own individual case.

And probably, the poor people themselves might be as clamorous for low prices then as they are now ; not perceiving how intimately and necessarily the low prices of commodities and low wages are connected.

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## EDWARD THE SECOND.

EDWARD inherited the crown of England when it was surrounded with laurels. He came into the possession of some money also ; but unless he could replenish his coffers, it was impossible to sustain the glory of the crown, and his father had so reaped the wealth of his subjects as to leave but scanty gleanings for the son. The barons, profiting by experience, were now on the alert to resist by force a repetition of arbitrary enactments against themselves. The revenues of the church had been so exhausted, that its ministers were glad to co-operate with the barons to protect themselves against further impoverishment. All the property of the Jews, as we have seen in the preceding reign, had passed into the hands of the monarch, and therefore that source of supply was, for the present, effectually cut off. It therefore behoved Edward the Second to extend the principle of making his money go further in payments. Coin of inferior value was accordingly countenanced in circulation, and the principle of restricting the prices by law, which in the preceding reign had been applied to many minor articles of food, was now extended to larger objects. It was ordered that a pasture-fed ox should be sold for 15s. ; an ox fattened with corn for 20s. ; the best cow for 12s., and so in proportion for other things.

After these rates were fixed, it is natural to suppose that the owners of the above articles would be little solicitous to sell them ; and that they would care still less to increase

their stock, when they were to be compelled to part with it at a price which was doubtless below the natural money value, or the law would have been uncalled for. The consequence of these enactments may therefore be easily foretold. Provisions became excessively scarce, insomuch that, in a short time, it was with difficulty enough could be obtained for the king's household; and a famine so dreadful ensued, that it is said the thieves newly cast into prison were torn to pieces, and eaten half alive by those already there. A terrible pestilence, as usual, was the consequence; and in about three years, the people being diminished and the food increased, (the king and parliament having in the mean time revoked their order for the restriction of the price of provisions, and permitted the market folks to make the best of their wares) things were again brought round.

Afterwards numerous confiscations took place. These supplied the king with money; but it is probable that they also furnished him with a strong temptation to shed the blood of so many of his nobles. The manner in which he subsequently lost his crown and his life, shows how dangerous it is for a monarch to sanction, by his own example, the exercise of mere arbitrary power: the precedent established by Edward the First proved fatal to his immediate successor.

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### EDWARD THE THIRD.

HITHERTO we have seen the operation of a money system limiting the representation of value solely to silver, and we have seen that in a few reigns, after the first confirmation of this system, our ancestors were subjected to many dreadful famines, some of which are directly attributed, by historians, to the absence of money rather than of food, and others to



an absence of food, which, on natural principles, may fairly be derived from the false estimate of value which such a money system could not fail to infuse into the minds of those who were subject to it. Under this system it was impossible for the king to sustain an adequate quantity of money in circulation, without gross injustice to some of his people, in violently forcing from them the material of money ; and if the circulation were not adequately sustained, starvation became the inevitable lot of others of the community. We have witnessed the continuance of the system till it drove Henry the Third to have recourse to beggary, and Edward the First to what would have been robbery, if the acts of that reign had been the deeds of any one of less authority than a monarch.

But in the course of the reign of Edward the Third an important change was effected in this money system by the introduction of gold into the currency. Up to this time the legal pound sterling had been of equal value, or nearly so, with the pound weight of silver ; for, until the reign of Edward the First, it required a pound weight of silver to make a pound sterling ; and afterwards a pound weight was authorised to make one pound and three pence sterling ; therefore, though a pound weight of silver was not a pound sterling until it had received, by royal sanction, the impression of coinage, yet a legal pound sterling was, or ought to have been, a pound weight of silver, subject to the above trifling abatement. This continued until the eighteenth year of the reign of Edward the Third, consequently the pound sterling until that time was subject to a test which could not be abused. But when gold was introduced into the coinage, this test was soon lost sight of. For then it was in the power of the king to cause the pound sterling to be represented by a given quantity of gold, as well as by a given quantity of silver ; and thus by making the gold coinage at one time conform to the test of the silver standard, and at another time by mak-

ing the silver coinage conform to the test of the gold standard, the king was furnished with a plea for altering the pound sterling at his pleasure.

Edward's first coinage of gold was upon a scale which made the pound weight of gold, of certain fineness, represent 15*l.* of sterling silver; but this value being found too high in relation to the silver standard, the difference was attempted to be adjusted by a new coinage of both gold and silver, in which the pound weight of gold was coined into 13*l.* 3*s.* 4*d.*, and the pound weight of silver into 1*l.* 2*s.* 6*d.* This arrangement took place in the eighteenth year of Edward the Third. By this coinage a piece of gold, called a noble, considerably heavier than our present sovereign, and more pure, was made to pass for 6*s.* 8*d.* In two years afterward this arrangement of the relative value of gold to silver was again altered. It was then ordered that the pound weight of gold should represent 14*l.* sterling of silver. Five years after this (25th of Edward III.) another change took place. It was enacted that the pound weight of gold should make 15*l.*, and the pound weight of silver 1*l.* 5*s.* These frequent variations in the relative value of an equal weight of gold and silver, gave early proof of the impossibility of adjusting by law the proportions in which they really exist, and consequently their value with respect to each other, without the intervention of some other measure common to both, yet independent of either, by which, as on a graduated scale, their true relation might be ascertained.

At this stage of our inquiry it becomes necessary to advert to the terms in which these fluctuations in the value of the precious metals are usually expressed, and to the sense in which the reader will be required to understand them throughout the subsequent pages. Gold is said to be *lowered* in respect to silver, when a pound weight of it is declared by law to be exchangeable against a less quantity of silver than formerly, and it is of course *raised* when the contrary takes place. *Vice versâ*, silver is said to be lowered or raised when its pro-



portion to gold is altered, the latter, in such cases, remaining stationary. But there is a further relation to be noticed, which is, when gold and silver remain in the same proportion to each other, but the value of both is altered with respect to other things,—provisions for instance. This alteration may be effected either by coining the pound weight of standard silver and gold into a *greater number* of pieces of the same denomination as before, or by causing the current coin to pass for more in amount than it had previously done. In either case of this last description of change in the value of gold and silver, where other commodities are the objects of comparison with them, the coin is said to be *enhanced*. Agreeably to this phraseology, gold, after its first introduction, was *lowered* in value, or silver was *raised*, (according as either is taken for a standard); but the coin altogether was *enhanced* (that is, against commodities and labour,) in the course of seven years no less than 20 per cent., which large profit was the portion of those who had the precious metals under control.

So great an enhancement of the value of gold and silver in so short a time, was a mine of wealth, the discovery of which might have satisfied the king; but his wants grew with their gratification. Recent experience prevented the government from legislating about the price of commodities; they were therefore left to find their own level in the reduced currency; but with the price of labour, nothing but the analogy of the cases forbade interference. The same selfish policy, therefore, which in the preceding reign had created a famine by restricting the money value of provisions, again overcame the suggestions of reason and humanity; and a foundation for the rebellion, which took place in the next reign, was now laid by the passing of a law to limit the money value of labour. In the very year that the last enhancement of the coin took place, it was enacted that the price of labour, under the new standard, should be restricted

to its nominal amount under the old standard. Thus whilst provisions were permitted to rise in value, the poor man's property, his labour, was to be kept down.

The effect of this law was for some time counteracted by the warfare which distinguished the middle of this reign, and which provided both employment and remuneration for all the restless spirits of the nation. During this period the kings of both Scotland and France became Edward's prisoners; and for the release of the latter, in the 34th year of Edward III., France consented to pay no less than three millions of crowns of gold, two of which crowns were to be equal in value to one English noble. No sooner however did the resources, supplied by successful warfare, begin to slacken, than it became expedient for the legislature to devise some plan by which the legal rate of the wages of husbandry might be made adequate to the support of the labourers. But instead of raising their wages to their necessities, government endeavoured to adjust the appetites of the poor to their wages. Pursuant to this, in the 37th year of Edward the Third, an act was passed, declaring that labourers and husbandmen should be allowed only one meal a day, and further declaring what kind of food they were permitted to eat. Afterwards, when war had not only ceased to be a profitable, but actually became a losing game to England—when, as it is said, king Edward expended more money in losing towns than it had formerly cost him to win them, and when money must be had from some source or other to supply the wants of the state,—the measure of injustice towards the inferior classes appears to have been filled up. For instead of taking money from the wealthy in preference, as was proposed by the Duke of Lancaster, it was most unreasonably enacted by Parliament that a poll tax of fourpence per head should be levied upon *every person*, male and female, above the age of fourteen years, those only excepted who were living on alms.

Thus, at the conclusion of the glorious reign of Edward the

Third, England appears to have nearly reached what some would deem that point of perfection in political economy, which denies to the working people adequate wages and proper food, and yet requires them to supply the revenues of the state—a point which Egypt also was very near attaining, when the industrious Israelites were rescued from the necessity of making bricks without materials, by the miraculous interposition of Heaven.

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### RICHARD THE SECOND.

THOSE oppressive regulations, with respect to the labouring classes, which commenced in the last reign with an alteration of the money laws, had their natural issue in the rebellion under Wat Tyler. It is notorious that the poll tax proved the direct means of arousing that rebellion, and the rapidity with which the flame spread when once it was lit, shews that the minds of the working people throughout the kingdom were in a state of high excitement. They felt that gross injustice had been done them by the higher classes, and menaces of destruction were levelled not only against wealthy people, but against property itself. The following couplet, which it is stated was very popular at the time, no doubt expresses the views then entertained of the distinction of ranks :

“ When Adam delved and Eve span,  
Who was then the gentleman ? ”

Judging from what was done by Wat Tyler and his followers, it is highly probable that their intentions were not over-rated in the dying confession of Jack Straw, when he declared that their purpose was to cut off the heads of the king and all the wealthy people in the kingdom, and to burn the city of London.

After this experience more caution appears to have been ex-



exercised both in taxing the poorer classes and in applying the law to the restriction of their wages; and it is not improbable that a contest for the crown, which about this time began to agitate England, might tend to improve their condition, how much soever it might disturb the comforts of their superiors. For whilst the common people were liable to be continually wanted as soldiers, by one party or the other, they would doubtless obtain better fare as the retainers of some nobleman, than that which the parliament of Edward the Third had allotted to them as artisans and husbandmen.

### HENRY THE FOURTH.

IN the thirteenth year of this monarch, the specific weight of standard silver in the pound sterling was again reduced. It was then enacted, that the pound weight of standard silver should make 1*l.* 10*s.* sterling, and the pound weight of gold 16*l.* 13*s.* 4*d.* The previous regulation, it will be recollected, was 1*l.* 5*s.* for silver, and 15*l.* for gold. So that the precious metals were not only enhanced, but their relative value was again altered; silver was enhanced one-fifth, or 20 per cent.; and gold little more than one-tenth. "The great scarcity of money within the realm of England, and other mischiefs and causes" were assigned as the reason for this deterioration of English money. But the fact was, that the enhancement of the value of gold and silver in coin was naturally followed by a progressive advance in the mercantile value of the uncoined material, until the mercantile value became upon a par with the coined value; and when this became the case, no person would take his metal to the mint and allow the king and the mint-master a profit upon the coinage, when he could make more profit of the metal by taking it to the merchant. When the bullion-market got into this state, money naturally became scarce.

Various strong and arbitrary measures were repeatedly tried under these circumstances to prevent the exportation of bullion, and to force its importation. But private interest always proving too ingenious for public laws, in the end it became necessary to raise the value of gold and silver in coin, to such a degree, as to overtop the mercantile value of the uncoined material. Usually, as soon as this was done in any particular country, in England for instance, there was, for a season, plenty of money in circulation, because, until the example were followed by other countries, it would, of course, be profitable to merchants to bring the precious metals there : again, the new money being so much lighter than the old money, nobody, in the first instance, would like to hoard it, lest it should be again restored to the former standard, to the loss of the holders, as was formerly the case, when the pound sterling was restored to the pound weight of silver ; and each alteration of the value was accompanied with a clause which encouraged this apprehension. From these causes, the quantity of gold and silver in the nation was not only increased actually, but also increased in its efficiency, private interest operating to sustain it in more lively circulation, and a temporary prosperity was the consequence. But as increased prices, and increased wages (when unrestrained by law) naturally followed in the train of consequences, with a further increase in the mercantile value of gold and silver ; so, when the king had reaped the first fruits of a diminution of the coin, and he, as well as others, had enjoyed the privilege of paying off his debts with a less quantity of the precious metals than that in which they had been contracted, then the old evil of " great scarcity of money within the realm of England, and other mischiefs and causes," gradually returned, and called for a repetition of the process.

## HENRY THE FIFTH.

DURING the short, but brilliant career of this monarch, money was preserved from further deterioration. In the first year of his reign the clergy were led to entertain serious fears lest he should take their temporalities from them. To divert him from this purpose, it is said, they gave him a very large sum of money. In his fourth year he drew considerable sums from the laity, but more from the clergy, towards the support of his wars in France. Being still in want of money he pawned his crown for a large sum to his uncle, the Bishop of Beaufort, and his jewels to the Lord Mayor of London. To have been forced to have recourse to these modes of getting money is a sufficient proof that his sole object in obtaining it was to give it circulation. The success, however, of his wars was probably the chief cause that during his reign the nation was preserved from any further diminution of the coin.

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## HENRY THE SIXTH.

So great a scarcity of the precious metals was now experienced, that by an act of the legislature, it was commanded that all wool, wool-fells, and tin, exported, should be paid for in gold and silver, which gold and silver were to be brought to the mint to be coined; and the sellers of the above articles were also forbidden, by law, to lend to any merchant any of the money which they should receive for them. But though gold and silver were both scarce in England, gold, it seems, was the rarer of the two; which arose from gold and silver, in their mercantile character, varying in their relative value from the proportion assigned to them in their money character, so as to make it profitable for dealers and merchants to buy up silver money with gold money, or *vice versâ*. At this time



the coined gold of England bore a considerable premium above the coined silver, in the public market of Europe, and it had become a common practice for foreign merchants to make their bargains to be paid in gold alone. To check this practice, it was enacted, that no merchant alien should be allowed to bind any of his Majesty's subjects to make payment in gold for any debt, and if any refused to take payment in silver for any debt due to him, he should be subject to a penalty of double the amount of the sum. The scarcity of money appears to have been a growing evil throughout this reign. Mr. Ruding attributes to the extremity of the distress which the king in consequence experienced, his readiness to put faith in alchemy for the supply of his wants. In his 35th year, his majesty's expectations were raised so high, that in a patent which he granted to certain persons for practising that art, he speaks with the utmost confidence of being able soon to pay all his debts with real gold and silver produced by *the stone*.

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### EDWARD THE FOURTH.

EDWARD the Fourth resorted to the old method of making a larger quantity of money out of the same quantity of metal; which, if he could get the metal, proved him "a wiser child of this world" than his predecessor. In his fourth year, he enhanced both gold and silver 25 per cent., which was, in effect, to tell every one who owed £100, to take his bill quickly and write down fourscore. At this time it was ordered that the pound weight of silver should make 1*l.* 17*s.* 6*d.* sterling, instead of 1*l.* 10*s.*; and the pound weight of gold 20*l.* 16*s.* 8*d.*, instead of 16*l.* 13*s.* 4*d.* But even this vast and sudden enhancement, it seems, was not found enough, with respect to gold; for in the next year it was ordered, that the pound weight of gold should be coined into 22*l.* 10*s.*: so that at

this time gold money was enhanced in value considerably more than silver money; whereas, in the former great change made by Henry IV., silver money was enhanced in a much greater proportion than gold. The proclamations which announce these alterations speak rather more explicitly of those "other mischiefs and causes" which had led to the scarcity of money in England, than the ordinance of Henry IV. had done. Amongst other things, "lack of bringing of bullion into the king's mint," is stated, "which, as is conceived, is because they that should bring bullion may have more for their bullion in other prince's mints than in his." Hence it appears that other princes were not ignorant of the convenience of enhancing the precious metals; and the necessity of adjusting the coined money of different countries to each other served afterwards as a pretext for debasing the standard, as well as for lessening the size of the coin.

By the second gold coinage of Edward IV. which took place in his fifth year, the noble was ordered to weigh 5 dwts. 8 grains, exactly the weight of our present guinea; but the quality of the gold was near 10 per cent. finer. Its value was fixed at 10s.; if it was under weight, it was to be refused in payment. Considerable inconvenience being found to result from this, it was shortly afterwards enacted, that whatever deficiency there might be in the weight of the noble, should be made up with current silver.

In the seventh year of Edward IV. complaint was made that Ireland was destitute of silver,—that the new coined money of that country was carried away daily, and that the people, contrary to law, (necessity being stronger than law,) continually took clipped money in payment: it was therefore ordered, that there should be an entirely new coinage, lowering the specific worth of Irish money very considerably; and that after the ensuing Easter, all other silver coins or money should be strictly prohibited from circulating in Ireland. All persons receiving or paying them, were to be adjudged guilty

of felony. It seems, however, that the people were not put in possession of the means of getting the new money in a degree commensurate to their wants, and its diminished worth; for in consequence of this alteration of money, all kinds of merchandize and victuals became so excessively dear that many people were near perishing through want, and many gave up their houses and quitted the land.

When the value of the pound sterling was altered by Edward III., it may be presumed that neither he nor foreign princes, nor mercantile men, were immediately aware of the changes which it would occasion; but now, the consequences likely to result from such depreciation of the pound sterling were better understood, and they were so quickly brought about, as to leave the sovereign but little time in which he could make his profit. By the enhancement made in the 5th year of Edward IV., the crown gained a profit of 1*l*. 0*s*. 10*d*. out of every pound weight of gold; for the pound weight was coined into 22*l*. 10*s*. 0*d*., while the person who brought the metal to be coined received back only 21*l*. 9*s*. 2*d*.: and so with the silver, the pound weight produced 37*s*. 6*d*., but the owner received only 33*s*. which left a profit of 4*s*. 6*d*. to the crown. But the rise of the market value of the metal so rapidly followed this enhancement of the coin, that in his 8th year, the king found it necessary to reduce the seignorage on gold to 14*s*. 6*d*. and on silver to 2*s*. 8*d*., and in his 11th year it was further diminished to 7*s*. 6*d*. on gold, and to 1*s*. 6*d*. on silver.

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### HENRY THE SEVENTH.

THE pound sterling remained unimpaired during the reign of Henry VII. That shrewd and politic monarch being in the undisputed possession of the throne, and fully conscious of paramount value of money, appears to have had his attention



keenly excited to the acquisition of wealth; and to his skill in accumulating money may be attributed that high degree of absolute power with which he again invested the crown of England. Henry understood too much of the mystery of money, not to be aware that no real good could accrue to the crown from diminishing the weight of the pound sterling, whatever temporary advantage it might afford an improvident king. Had it been possible for a monarch, with the knowledge of a Jew in the science of money, to have monopolized the coin, and yet to have prevented the clipping of it, Henry might have been that man, but in defiance of all his regulations money grew scarce; scarcity made people less scrupulous about its perfection; and as there was a market for light money the article was sure to be provided. This monarch's disposition to hoard wealth probably tended in no little degree to make money scarce. The treasure he is recorded to have left behind him is variously stated, but all accounts agree in making it much more than was accumulated by any of his predecessors. It was mostly secreted under his own key. The malpractices by which it was amassed were so notorious, that Henry VIII., on coming to the crown, thought fit to cause two of his father's favourites (Empson and Dudley) to be beheaded for their services in this matter; and several of the inferior agents were suffered to perish in prison.

In the hands of Henry VII., parliamentary power and judicial influence were quite as potent in contributing to the wealth of the king, as the direct power of the sword was in the hands of the Conqueror and Edward I.

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### HENRY THE EIGHTH.

THE love of display was greater in Henry VIII. than the love of money; and therefore, though he inherited such immense wealth from his father, he soon found means to scatter

it. During its dispersion, the public probably were benefited, but this was paid for afterwards. The king's want of money caused him to exercise the royal prerogative in reducing the pound sterling, and he taxed his subjects to an amount which the stock of precious metals in the kingdom could not possibly represent, without diminution or deterioration of the coin, in weight or purity. In his 18th year, it was enacted, that the pound weight of silver should make 2*l.* 5*s.* sterling; and the pound weight of gold, 27*l.* sterling. Thus each was enhanced about 20 per cent.; but after this, the money was rapidly debased and diminished, until in his 37th year, a pound weight of metal, which contained only four ounces of fine silver, the remaining eight ounces being alloy, was coined into 2*l.* 8*s.* 0*d.* sterling, and the pound weight of gold, which was now only 20 car. fine, and 4 car. alloy (instead of 23 car. 3½ grs. and ½ gr. alloy), was coined into 30*l.*; so that the pound weight of silver of the old standard, which prior to this reign was authorized to make 1*l.* 17*s.* 6*d.* sterling, was now actually coined into 7*l.* 4*s.*; and the pound weight of fine gold, which previously formed 27*l.*, was now converted into 36*l.*

By this change, silver was enhanced to nearly four times its former value, while gold was only raised about one-third: thus their relation to each other in the money system was amazingly altered; but not so their mercantile value, for no one that could help it parted with gold, or *old* silver in payment, at that rate. The money value of an old angel was fixed at 8*s.*; but Stow says, that he had seen 2*l.*s. given for one; it was for the purpose of using it in gilding, he tells us: but when it is considered that the 2*l.*s. contained only one-third their weight of silver, it was a profitable purchase in a mercantile point of view. The prices of victuals, and the rate of rents for lands and tenements, were presently raised in some proportion to the diminished worth of the money, and of course far beyond any former precedent. Clipped silver, however despised at other times, was then as difficult to meet with as light guineas dur-

ing the latter part of the last war; for of course, no one would lend, when he was liable to be repaid in baser money.

The difficulty of borrowing clipped, bent, or broken silver, is thus humorously illustrated in some verses of that day:

Hast thou any bowed silver to lend me, Joan?

Nay. Hast thou any broken silver for me? None.

Hast thou any clipt silver? I had, but 'tis gone.

Hast thou any crack'd groat? Crack'd groat! nay, not one.

No silver, bowed, broken, clipped, crack'd, nor cut,

Here's a friend for friendship not worth a crack'd nut!

### EDWARD THE SIXTH.

THIS last and worst coinage of Henry the Eighth continued in circulation until the third year of Edward the Sixth, when the purity of the coin was increased; but exactly in the same degree its value was enhanced, so that in effect it remained without improvement. Instead of the pound weight of metal of four ounces of silver and eight ounces of alloy making 2*l.* 8*s.* sterling, Edward ordered that a pound weight of metal, of six ounces silver and six ounces alloy, should make 3*l.* 12*s.*, so that what was gained in purity was lost in weight.

The shilling was thus reduced to 3 dwts. 8 grs., one half of which only was of fine silver; whereas the weight of the groat, until the 13th year of Henry the Fourth, had been 3 dwts. 4½ grs. undebased. It is supposed to have been this small shilling of Edward the Sixth which caused Bishop Latimer, in a sermon before the king, sarcastically to say, "We have now a pretty little shilling, indeed a very pretty one; I have but one I think in my purse, and the last day I had put it away almost for an old groat, and so I trow some will take them." Latimer in his next sermon vindicated himself for having brought this subject forward in the pulpit, by an allu-



sion which shewed that he conceived the bad state of the money was occasioned by the covetousness of those at the head of the state, and that it was accordingly a crime which it was his duty to reprove. By this new coinage the merchant was to have 3*l.* 4*s.* for the pound weight of fine silver, which being to be coined into 7*l.* 4*s.* left the king a profit of 4*l.* sterling. This enormous profit on the coinage was a confirmation of Latimer's suspicion.

It may seem strange that the merchant should supply silver upon terms apparently so unprofitable; but although the coined silver of England was greatly enhanced above the mercantile value of it, the coined gold of England was not so enhanced, and therefore the 3*l.* 4*s.* which the merchant was to receive for his pound weight of silver must be understood to have been sufficient, in the first instance, to enable him to discharge English debts, or get gold with it, so as to realize a profit on the transaction. Henry the Eighth, by debasing the gold money, thought to make profit of the gold coinage as well as of the silver coinage; but it was soon found to be impossible, as profit could only be gained, even by a king, from making the one comparatively dearer than the other. Accordingly the coined value of gold money was kept on a par with its mercantile value, so that it could be employed to buy silver with at its mercantile value also; and then the royal proclamation could cause silver in its coined state to bear any value, in the home circulation, which his Majesty might chuse to put upon it, whereby a proportionate profit was secured until the means of getting gold were exhausted.

But whilst silver coin was thus made to possess so high a money value, and gold was restrained to its mercantile value, it was in vain to expect that any gold coin should remain in circulation, or that the silver should escape being counterfeited, seeing it was possible to make it as good as the king's money, and for the counterfeiter to get an immense profit out

of it. William Thomas, clerk of the council, notices this, in his letter to Edward VI., exhorting him to reform the coin: "If there be any quantity of gold remaining (as some men think but small) it cannot come to light; because that like as the value of our [silver] money doth daily decay, so doth gold increase to such value that lying still it amounteth above the revenues of any land. And he that shall live twelve months, shall see that an old angel [which by law was current for eight shillings] shall, in value and estimation, want little of twenty shillings of our current money, if provision for the redress of your Majesty's coin be not had." The temptation, indeed, to counterfeit the coin of the realm was at that time so strong, that men in the higher classes of society, and those immediately connected with the mint, were guilty of it. Sir William Sharrington, master of the mint at Bristol, confessed that he had made large profit of clipping and shearing the coin, (of course the old coins, for the new were not worthy of it,) and that in the first year of King Edward he had issued 12,000*l.* of counterfeit money.

It now became apparent to the king's advisers, that as it was natural, in the way of trade, for the uncoined material of money to follow the value it was allowed to possess in coin, in a short time after the first issue of the diminished money, so the crown in the long run could not derive any more profit out of the coinage of worthless money than of good; and that whilst the counterfeiter was participating with the crown in the profits arising from the continual debasement of the money, the king in the end bore all the loss by the diminished specific worth of his annual receipts.

The popular voice too was decidedly opposed to this worthless money, although there was doubtless good foundation for the opinion of those who, at the time, maintained that three-fourths of the people were bettered in their condition by it. The letter of Mr. Thomas before referred to goes to the support of this opinion. He says, that, from the worthlessness

of the money, people employed it to great disadvantage rather than keep it.—As the value of labour would naturally be increased by the demand, and as three-fourths of the people, at least, are indebted for their comforts to a free demand for labour, so it would follow of course, that whilst the wealthy esteemed it more advantageous to expend their money to disadvantage rather than keep it, the condition of the great majority of the people, whose only property was their labour, could not fail to be improved by the expenditure.

The necessity of a reformation of the money being now generally admitted, measures were taken for effecting it. But these were again discreditable to the government, and injurious to the common people.

Although the gold money, as a mercantile commodity, was enormously below its value in relation to silver, yet, strange as it may seem, the first measure adopted towards the reformation of the coinage was to reduce the money value of gold, so that a pound weight of gold of the old standard was allowed to make only 28*l.* 16*s.* It is fair to believe that the government neither possessed the power nor the inclination to issue much gold according to this scale, and that it was merely adopted as a device for drawing the gold already in coin out of the hands of the more simple part of the holders of it, by leading them to suppose, that if they did not immediately part with it, they should sustain loss; for in the next year, the pound weight of standard gold was again enhanced to 36*l.*

This measure was accompanied with a piece of state policy respecting the silver money, which appears to have possessed the like character for integrity. According to the journal of Edward VI., it was determined, in the early part of the fifth year of his reign, to coin 20,000 pounds' weight of metal into money, so much baser than even that which was already in circulation, as to get a clear profit by the transaction of 160,000*l.* for the purpose, as is alleged, of paying the debt of the realm, of defending the country, and of *amending the coin.*



Agreeably to this resolution, a coinage took place by which a pound weight of metal, containing only three ounces of silver (the rest alloy) was coined into 3*l.* 12*s.* sterling, thus making the pound weight of fine silver equal to 14*l.* 8*s.* sterling. Of this coin the merchant was to receive 10*s.* for an ounce of silver. It is difficult to conceive how this base coinage was to furnish means for amending the coin, unless it were by actually cheating the ignorant; and such appears to have been the real design. For, at the very time when a part of this wretched money was in preparation, the former coinage of this reign, and the latter coinage of the preceding reign, which, bad as they were beyond all former precedent, were twice as good as that now contemplated, were first cried down one-fourth, and afterwards one-half, making the shilling current only for sixpence, and the groat for twopence. Thus the unsuspecting people were robbed of half their money on the plea of its baseness, whilst the government was at the same time plotting the issue of other money, the shilling of which, in comparison, was not worth more than threepence. The richer sort of people, according to Lanquet's *Chronicle*, had knowledge of these changes beforehand, "and did put off their new light money, and kept in store none but good gold and old silver, that would not bring any loss," so that the chief loss fell on the lower orders.

After the first reduction above mentioned, an apprehension currently prevailed, that another would soon follow, for which cause people refused to bring provisions to the markets, chusing rather to keep them than run the risk of being cheated out of the value of the money which they might receive in exchange for them; in consequence of which, a great scarcity was presently felt. Whereupon a proclamation was issued, stating, that these effects arose "*from false and untrue rumours*, which were spread by certain lewd persons, who, of their own light heads, had imagined, that because the king had somewhat abated the value of his coin, he should, therefore, more

abate it;" and it proceeds to forbid his Majesty's subjects "to invent, speak, mutter, or devise any manner of tale, news, or report, either touching the abasing of the said coin, or that in anywise might sound, either to the dishonour of his Majesty's person, or the defacing of his or his council's proceedings, or to the disquieting of his subjects, on pain of six months' imprisonment, and of such fine to his Majesty's use as his Majesty's justices of the peace should think fit." The offender was also to be liable to be put in the pillory, and to have one or both his ears cut off, at the discretion of the magistrate; and any person hearing such tale, news, and report, and not immediately revealing it to some justice, was to be subject to the like punishment. Even the magistrate was to be subject to the same punishment if he failed to fulfil the intention of the proclamation.

About a month after this proclamation had been issued for stopping the ears and tongues of the people, the second reduction was made. Such measures, accompanied with such professions, did more towards "dishonouring his Majesty's person, and defacing the proceedings of his council, than the false and untrue rumours," as they were called, "of certain lewd persons." To aggravate the vexatious cruelty of these proceedings, it appears that some of the servants of the crown turned them to their private profit. The receiver for the county of York confessed that he gained 500*l.* at one crying down, by borrowing 2000*l.*, subject to the allowance of 3*d.* in the shilling, and then paying it into the exchequer at its old nominal value, which he was privileged to do as a receiver of the revenue.

The foregoing events took place from April to August in 1551. In September it was determined that a coinage of silver should be issued of 11 oz. fine, and 1 oz. alloy, the pound weight to make 3*l.* sterling, whereby, as it is stated in the king's journal, five shillings in silver was to be worth five shillings in gold. Thus the relative value of gold to silver in

a mercantile view, had not been greatly disturbed by the unequal value attempted to be given to them in the English coinage. By an indenture executed shortly after this, it appears that a pound weight of metal, 11 oz. 1 dwt. fine silver, and 19 dwts. alloy, was coined into 3*l.* sterling.

Whilst this improvement of the money was taking place in England, a measure was adopted towards Ireland, which would have been extraordinary if it had not already been seen that the practice of the time was to prepare for an "amendment of the coin," by a system which would have been downright swindling had it been practised by ordinary persons. According to the king's journal, it was, on the 18th of May, 1552, determined that money should be cried down in Ireland immediately after the Midsummer payments, and that in the mean time the thing should be kept secret: and on the 10th of June (the intention of the 18th of May being referred to) it was appointed that a considerable weight of metal which the king had in the Tower should be carried to Ireland, and there coined in a very base state, and that as soon as it was disbursed the coin should be cried down.

In the mean time, the improved money of England had begun to be issued, but it was no sooner issued than it was bought up at a premium with the old bad money, and either hoarded or exported. The merchants were accused by the king of loitering at home, and employing themselves in exchanging money, and clandestinely conveying bullion out of the realm, instead of adventuring to bring in foreign commodities. The direct mode of preventing this would have been to suppress the circulation of the bad money altogether, but the doing so presented a choice of difficulties—the government must have taken it in, and given good money for it, themselves bearing the loss, or they must have thrown the loss at once upon the holders. The latter course would probably have caused a rebellion, considering the high state of excitement



into which similar acts of injustice had recently wrought the minds of the people; and the former alternative the government had not the means of adopting, or it would have been discovered that to prepare for the amendment of the coin by first grossly debasing it, was an expedient no less unprofitable than unprincipled. It was therefore deemed impossible to suppress the circulation of bad money; and all that could be done was to enact various penalties to prevent the bad from absorbing the good money. Parties exchanging the good for more than its current value, were subjected to heavy fines and imprisonment.

A short time previously money was so unworthy of being hoarded, that persons would employ it to great disadvantage rather than keep it; now, however, it was so scarce, that according to the king's journal, the usual rate of interest was 14 per cent. per annum; to counteract which the taking of usury was altogether prohibited by law. All this being insufficient to make money more plentiful, the law of the 17 Edward IV. was renewed, whereby it was made felony to carry any kind of money or plate out of the kingdom; and goldsmiths and others were prohibited from using gold and silver for articles of luxury. The strictness with which it was designed to prohibit the export of gold and silver, is rendered apparent by the minute exception shortly afterwards made, viz. that merchants might take 4*l.* in money with them for their expenses. These measures, however, were so far from rendering the circulation more abundant, that they rather produced the contrary effect,—as the greater was the anxiety of government to force the holders of coin to part with it, the greater would naturally be their inducement to keep it. The early death of Edward put a stop to further measures.

## MARY.

THROUGH the short reign of Mary, good and bad money were allowed to circulate together under the royal sanction, pretty much as they had done before her accession to the throne. The queen made great professions of her intention to complete the reformation of the coin: notwithstanding this, her good money was of rather lower standard than that of the preceding reign; and it also appears, that by her authority a considerable quantity of base money was coined and issued. The opportunity of reforming the coin was now, however, becoming peculiarly favourable, in consequence of the diminution of the mercantile value of silver in Europe, from the increased supplies derived from the New World.

## ELIZABETH.

THIS sensible and spirited woman had both the ability and the will to avail herself of the favourable circumstances in which she was placed for bringing the silver money of England to a par with the gold money. As concerned her English dominions, she was alive to the advice of her counsellors when they told her that it was for the honour of the crown and the wealth of the prince and people to restore the standard to its ancient purity, "and that it was not the short ends of wit nor starting-holes of devices that could sustain the expence of a monarchy, but sound and solid courses." This looked well in theory, and was attempted to be practised with respect to England; but Ireland was still fated to endure the miserable consequences of a policy dictated by "the short ends of wit, and the starting-holes of devices." For whilst the queen's government were preparing to suppress the circulation of base monies in England, a commission was granted to the chief officers of the mint to coin 12,000 pounds of the base English

money into 20,000 pounds Irish; and a further commission was afterwards granted, authorizing her majesty's money-makers to alter the base monies then current in England into harp shillings and groats, to be defrayed about the queen's affairs in Ireland—4000*l.* of such money to be coined into 8000*l.* Irish, after the standard of 3 oz. fine silver to 9 oz. alloy—the pound troy to be coined into 40*s.*: so that a pound weight of fine silver, which in England was at this time worth about 3*l.* 5*s.* sterling, in Ireland was to be worth 8*l.*

By this device it is probable the knowing ones in England got rid of their base coin, so that when the base monies in England were cried down, the loss fell chiefly upon the more simple kind of folks.

The shilling, or teston, which Edward had brought down to sixpence, was now reduced to fourpence halfpenny, the two-penny piece to three halfpence, and the penny to three farthings. Certain shillings which were marked with a lion, a rose, a harp, or a flower-de-luce, and which it was stated were so base and full of copper as to be easily known, were only to pass for twopence farthing. Probably these were the coins of 3 oz. fine and 9 oz. alloy, issued by authority of Edward the Sixth, and the counterfeits of that coinage. These twopence-farthing shillings, or testons, were only to be allowed to circulate even at this rate for four months; and in the mean time the holders were invited to bring them and the other base monies to the mint, where they were to be exchanged after the above rates for good new money. As a further inducement to bring the old money to be exchanged for new, those who brought it to the Mint were to have threepence in the pound over the above rates. It was justly anticipated in the proclamation announcing the above changes in money, that the coin would not go so far as formerly in the purchase of provisions, &c. To counteract this, all justices were commanded to punish those with speed and severity who should seek to advance the accustomed price of victuals.



Immediately after the abovementioned proclamation was issued, reducing the value of the current coin, her majesty caused a summary of her reasons for the alterations to be published, wherein it is stated to be a truth well known, that "the honour and reputation of the singular wealth that this realm was wont to have above all other realms, was partly in that it had no current monies but gold and silver; whereas, on the contrary, all other countries, as Almain, France, Spain, Flanders, Scotland, and the rest of Christendom, have had, and still have, certain base monies." But as the money of England had of late grown into infamy and reproach, it had therefore been thought necessary that it should be recovered. And in the attainment of this end, as her majesty meant for her part to be at great charges, so every good English subject ought to be content, though it was some small loss to him at the first. As one consequence of the issue of this base money, the proclamation stated that counterfeiters, both at home and abroad, had uttered testons or shillings first for twelvence, afterwards for sixpence, which were really not worth more than twopence; and so, for small sums of money counterfeited, had carried out of the realm six times the value of it in rich commodities—that although King Edward and Queen Mary had coined great quantities of gold and silver, yet no part thereof was seen in the currency, some being carried out, and some *perchance hoarded by the wiser sort, as it were to be wished that the whole were.* It was further alleged, that although the earth had been plentifully productive, yet that the price of things had risen immeasurably, and no remedy could be devised for reducing the same, but to reduce the base monies to their just value; for, says her majesty, "every man of the least understanding knew that a teston was not worth sixpence, and therefore no man would give that which was, and ever had been, worth sixpence, for a teston, but rather would require two testons; and so a thing being worth sixpence was bought and sold either for two tes-

tons, or one and a half, which was in reckoning twelve-pence or ninepence. Whereas, every teston being brought to its just value, it must needs follow that one shall buy that for four-pence halfpenny which was wont to cost six-pence; so that what he may lose by the bad money, he will gain by the next good money he shall get. By this means the exchange in favour of the monies of England shall rise in estimation as formerly, and the foreign commodities be thereby bought for easier prices; so that every man ought to thank God that he may live to see the honor of his country thus partly recovered from the privy thief, which is the counterfeiter."—The address did not fail to set forth the great benefit which was to arise from the reformation of money to all poor people living upon daily wages, all mean gentlemen who were living upon pensions and stipends, and all those living on soldier's pay, which being to be paid in good and fine monies, would therefore yield more necessities for their sustentation than their wages formerly did.

Such were some of the reasons which the cabinet of Queen Elizabeth addressed to the nation, to reconcile the people to the loss which this further reduction of the money threw upon them. Two errors are especially to be noticed in the reasoning of this address: 1st. It is assumed that the value of silver in coin rests upon the same single principle of barter as if it were a mere mercantile commodity: and, 2ndly. It is supposed that the possessors of money would circulate it as freely in the employment of labour, when it was good enough to be hoarded, as when it was so bad as not to be worth keeping.

Experience had shewn that the market price of silver in England had a natural tendency to approximate to the mint price; but it had also shewn that, at least since the introduction of gold into the English coinage, the two prices were by no means the same. In 1544 (the 36th of Henry the Eighth) a proclamation announces the market price of fine silver to have been recently advanced to 4s. per oz. that is,

4s. in coin; but an ounce of fine silver at that time coined into money was current for 4s. 8d. In the course of the same year, whilst the market price was still 4s. per oz., the king caused his coin to be composed of one half base metal, and yet its money value to be retained, so that fine silver, when coined, was then worth 8s. per oz., or double the market price. In the following year he further debased it so much, that an ounce of fine silver in coin was made worth 12s. Four years after this, when Edward the Sixth coined money so as to make 12s. in coin out of an ounce of fine silver, the market price of fine silver had risen to 5s. 4d. per oz. And two years after that, when the same king coined an ounce of fine silver into 17. 4s. sterling, in order, as it was said, to get means for paying off the national debt, defending the nation and amending the coin, he then was obliged to offer 10s. of this money for an ounce of fine silver. This, no doubt, was somewhat above the previous market price, as a temptation to merchants to become the utterers of such base money; but base and worthless as it was intrinsically, yet possessing the superscription and stamp of the monarch of England, 10s. of it were made, at the time, to have the same value in an English payment as an ounce of fine silver; the silver gaining in power from possessing the king's sanction, what it wanted in intrinsic purity. Thus it appears that whilst the value of silver uncoined is entirely dependent upon the principle of barter, the value of coined silver is made up partly of the mercantile value of the raw material, and partly of the royal sanction, the relative quantity of each being varied according to the power, will, or necessities of the monarch.

In the foregoing remarks it is seen that Henry the Eighth and Edward the Sixth made money with a large proportion of royal prerogative, and only a small proportion of pure metal. In after-times, when the power of James the Second was about to expire, we have an extraordinary instance of the extent to which this principle of constituting value might be carried.



By the threat of the halter, and the aid of the soldiery, he was enabled to make 10*l.* sterling with only four pennyworth of metal, the remaining 9*l.* 19*s.* 8*d.* being all derived from royal power. As the failure of James to retain his crown constituted the proof that he had no right to exercise the kingly prerogative of coining money, so his successor did not feel himself bound to fulfil James's pledge to take it back for taxes at the rate at which it was issued. It was, therefore, immediately cried down; the piece of money which tradesmen and others had been compelled to take for the half-crown was reduced to one penny, and the shilling to one farthing. But it may be questioned on what other principle than that of mere arbitrary power, King Edward and Queen Elizabeth reduced the value of the teston. The teston was coined by Henry VIII. as a shilling, and was to pass for twelve pence. The proclamation of King Edward speaks of it as "the piece of twelve pence, called a teston;" and, therefore, it had the same title, viz. the sanction of the acknowledged monarch, for representing twelve pence, as the penny had for representing one penny. But, admitting this, then the monarch who had paid them to the people for twelve pence, was bound in equity to take them again from the people at the same rate, for taxes, previous to their value being reduced.

The supposition that the possessors of money would part with it as freely when it was intrinsically good as they did when it was intrinsically bad, is made the foundation of the reasoning of that part of the address which was designed to show that poor people living on daily wages, mean gentlemen living upon pensions and stipends, and soldiers living on fixed pay, would be benefited by the change. Gentlemen, whether mean or noble, whether living upon pensions or annuities, or deriving their income from lands, whilst they could get their former revenues paid, would of course derive benefit from the increased value of money: soldiers also, whose pay proceeded directly from the prince, and only indirectly from the people, and whose services might be essential to enforce the payment of

the revenue, would not have their wages lowered according to the increased value of money ; it is no wonder, therefore, if the queen and her measures were popular with them. But poor people living upon daily wages, depending upon the voluntary employment of the more wealthy, would not find Elizabeth's golden promises so completely realized. On the contrary, the want of employment at adequate wages would be the natural consequence of an increased value of money then, in like manner as the same cause produces the same effect now ; and this, together with the loss of subsistence previously derived from religious houses, probably caused the poor-laws, which Elizabeth established, to become imperatively necessary.

Meanwhile the middle classes of society, such as farmers and tradesmen, were not much more equitably treated than the poor. Their commodities were liable to be valued by officers appointed by the government, and the owners were forced to part with them at a reduced rate ; for if prices had been allowed to remain nominally the same, then mean gentlemen and soldiers would have derived no benefit from the increased value of money : they were therefore lowered, so that a commodity accustomed to be sold for a teston, when it was valued at sixpence, should be sold for a teston, valued at fourpence halfpenny. But by this arrangement the producers or venders of the necessities of life could not pay rent and taxes as before, and, consequently, stipends and annuities according to the old scale would fall off, whence the mean gentlemen and soldiers would be forced to lose in the nominal amount of their pensions as much as was given them in the improved specific worth of money. True, but by a sacrifice of capital on the part of the producers, or venders of the necessities of life, the queen's promises to these gentlemen might for a time be realized ; and so they were. And upon the same principle a farmer, in modern days, having saved a thousand pounds, may pay, even for ten years,

100*l.* per annum, for rent and taxes, and other outgoings, more than the profit of his farm, before he himself comes to the parish. To the parish, however, he must come at last, and himself and family become a dead weight on the proprietor of the soil; or his rent and taxes must be lessened in the same degree that his receipts are diminished.

By the same short-sighted policy which leads the poor mechanic and labourer of the present day to expect that he shall continue to receive the same daily wages when provisions and clothing are low in price, as when they were high, the cabinet of Queen Elizabeth was certainly governed when it propounded the foregoing argument. Possessed of great power, and resolved to spare no pains in enforcing their decree that the prices of commodities should be regulated by magistrates, and not by the buyer and seller, they might have succeeded in their views, had success been possible. But upon former occasions, the like sapient policy had been adopted, until the market was so badly supplied with provisions that it was with difficulty enough could be obtained for the king's household; and similar consequences ensued now.

Stowe says, that in October 1563, London was visited with a three-fold plague—pestilence, scarcity of money, and dearth of victuals; and that Michaelmas term was not kept. These calamities, which came upon the nation almost as soon as the new coinage was completed, were the natural consequences of that measure, and of the steps by which it was accompanied. When money was made worth hoarding, and by restraints on profit capital was driven from employment, famine and sickness were sure to follow.

In the new coinage the pound weight of gold of twenty-two carats fine, and two carats alloy, was made to represent 33*l.* Sovereigns were coined of this gold, to be current for 20*s.*, which weighed seven pennyweights, six grains and a half. Gold of this quality is distinguished as the new standard. The old standard was twenty-three carats, three grains and a



half fine, and only half a grain alloy. Henry the Eighth was the first English monarch who debased it. In his eighteenth year, he caused the pound weight of gold of twenty-two carats fine, and two alloy, to represent 25*l.* 2*s.* 6*d.*, coining it into crown pieces, and not into nobles, angels, &c., from which circumstance it was afterwards called crown gold. In his thirty-seventh year, he further debased the standard to only twenty carats fine, and four carats alloy, and the pound weight was then to make 30*l.* This lowest standard was not continued; but crown gold remained in use, and was sometimes distinguished by writers as the new standard, and sometimes as crown gold. From the time of Henry the Eighth to Charles the First, the old and new standards were in use together, the value being adjusted according to their relative fineness. Since Charles I. crown gold has been the only standard.

Elizabeth coined the pound weight of crown gold into 33*l.* and the pound weight of the old standard into 36*l.*, which proportions were as nearly as possible equal to 30*l.* coined out of the pound weight of gold of 20 carats fine and 4 alloy; so that Elizabeth valued gold in her new coin exactly the same as Henry the Eighth did in his basest coinage. In the value of gold money, therefore, Elizabeth virtually made no improvement. All that she attempted was to restore the silver money to the same value, in relation to gold money, which it possessed in the time of Henry the Seventh. She did not intend to restore the pound sterling either of gold or silver to the same weight and purity which it possessed in her grandfather's reign, as some may imagine, for in that case the pound weight of gold, of the old standard, must have made only 22*l.* 10*s.*, and the pound weight of standard silver 1*l.* 17*s.* 6*d.*; but she did restore silver coin to the same value, *in relation to gold*, which it held in the reign of Henry the Seventh, by coining the pound weight of standard silver into 3*l.* sterling, which, in proportion to 36*l.*, is precisely what 1*l.* 17*s.* 6*d.* is to 22*l.* 10*s.*

In thus restoring silver to the same relative value with gold money, which it bore in the reign of Henry the Seventh, Elizabeth flattered herself that she had settled the money question upon a lasting basis; that "she had (as she expressed it,) conquered that monster which had so long devoured her people;" but the subsequent History of England, and even that of Elizabeth's own reign, shews that though his power was checked, the monster was not annihilated.

The queen was pledged by principle, by ambition, and by vanity, to keep the money of England upon the basis on which it was now placed, and she spared no pains to do it; but all her power and policy were inadequate to the task. Her credit was good, and she borrowed largely: the mines were also very productive, and the wealth of those who understood the mystery of money was greatly on the increase; but the coin in circulation was far below the necessities of the people. Its scarcity was indeed so great that the people were willing to take it however imperfect, and this opened a wide field for the practices of clipping and counterfeiting: clipped money accordingly soon formed a considerable part of the circulating medium of England, in defiance of all the severity used by the crown to check its progress; and this caused the relative value of gold and silver, and the rate of exchange between England and foreign countries, to be disturbed. For though an English shilling or sovereign having lost somewhat of its coined weight, was fully adequate to discharge an English obligation of one shilling or one pound; yet their value against each other, and their foreign value, varied with every diminution of their original weight: and thus merchants and brokers were enabled to buy up the gold money of full weight with the current silver of diminished weight, and the silver money of full weight with current gold of diminished weight. So there were two standards to which the money was conformable; one the legal coining standard, the other the current standard. The coining standard, after Eliza-



both had restored the money, required 7 dwts.  $6\frac{1}{2}$  grains of gold, of the same degree of fineness as our present sovereign, or twenty shillings, each weighing 4 dwts. of silver of standard fineness, to represent the pound sterling; but the current standard was limited only by the lowest weight at which it was possible to get money into circulation. Under the sanction of this double standard, therefore, the person who wanted to pay away money in the home market profited by selling his heavy gold and silver to the merchant, for which he received an increased numerical amount of current money in exchange, whilst the merchant had his profit in the foreign market, in the superior weight of the money which he bought. The natural effect of this traffic was to cause all the best gold and silver money to be abstracted from circulation as an article of merchandize rather than of currency; and to render it impossible for the government to coin and issue money according to the legal standard, without being subjected to continual loss.

Pressed with this difficulty, Elizabeth (notwithstanding her often repeated determination to preserve the standard inviolate) for some time secretly connived at the *legal* standard being departed from by the mint master; and when in consequence of the officiousness of one of the officers of the mint, the variation betwixt the coinage and the indenture for coining could no longer be concealed, she publicly announced that for great and urgent causes, she was compelled *for a short time* to tolerate some deviation from the express words of the former indentures. This happened at the commencement of the 21st year of her reign, and to this day the *short time* is unexpired.

The first departure from her original standard was apparently trifling. It was ordered, that the pound weight of gold reduced in purity by one quarter-grain more of alloy, should make 36*l.* 1*s.* 10 $\frac{1}{4}$ *d.*; and that the pound weight of silver with one dwt. more of alloy than the former standard, should make 3*l.* 0*s.* 3*d.* Trifling as this first alteration may appear to be,



it was important as to its cause and consequences. It clearly proved, that Elizabeth had not discovered the secret of settling for ever the money question. This evasive mode of combating the monster, (as she called the evils of the money system), was rather an acknowledgement of his invincibility; and before the conclusion of her reign, facts made it evident that he was still able to distress both prince and people. For the abuse of exchange, as the evil was denominated, had in the latter years of this queen's reign risen to such a pitch as to occasion a loss to England of 500,000*l.* annually, at least at that rate it was estimated in her 42d year, by the lord-keeper of the great seal, and the lord high treasurer: and yet in her 43d year the like evasive mode of meeting the evil was again had recourse to. It was then enacted, that the pound weight of gold should be coined into ten shillings more than the queen's original standard; and the pound weight of silver into two shillings more. Thus terminated Elizabeth's attempt to make the money of England "always the same," in accordance with her motto. During this reign, the measures adopted with respect to the currency of Ireland were of a character to rival for injustice the worst of those which Henry the Eighth and Edward the Sixth had adopted towards England.

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### JAMES THE FIRST.

THE experience of Elizabeth's reign proved, that though she had power to restore the coinage at the commencement of her reign, by inflicting great injustice on the holders of the currency, it was beyond her ability to keep the coinage and currency at par. Her last attempt, in her 43d year, to make the mint value conformable to the current value of money, was presently found to be no more successful than that which had been made in her 21st; for within four years after we find her successor King James, alleging in a proclamation, that the

relative value of gold to silver in England was imperfectly adjusted, and that he had therefore deemed it necessary to make a new coinage of gold, in which the pound weight of crown gold was coined into 37*l.* 4*s.*, which is 3*l.* 14*s.* more than the last coinage of Elizabeth. A new name was also given to the piece of money representing the pound sterling: viz. an *unit* or *unity*; Queen Elizabeth called it a sovereign. The unit weighed only 6 dwts. 10 $\frac{3}{4}$  grains; whilst the reduced sovereign of Queen Elizabeth weighed 7 dwts. 4 grains.

But the whole history of James's reign shows that this system was no more successful in his hands (largely as he was disposed to act upon it,) than in those of his predecessor; neither was it likely that it should be successful. As well might a man expect to find his way in a foggy night by following a Will-o'-wisp, as a king expect to find a fixed standard for his money, by acknowledging both a gold and a silver standard, and by adjusting the weight and purity of his new coin to the weight and purity of the current money. The further this system is pursued, the further it must always lead astray. By following it the Scotch pound had, at that time, become reduced to twenty-pence of English money, and the French pound or livre to two shillings, (since which it has fallen to tenpence); yet the only alternatives James had, were to follow this *ignis fatuus*, or to adopt the unjust expedients of former times for supplying the mint with the material for money. He chose the former, and accordingly reduced, in the second year of his reign, the gold representative of the pound sterling, from 7 dwts. 4 grs, to 6 dwts. 10 $\frac{3}{4}$  grs.

Notwithstanding this large reduction in the weight of the gold pound, the scarcity of gold and silver soon afterwards became very great, wherefore taking it for granted that the money was exported, the king appointed a committee, in his eighth year, to inquire into the cause. The causes were reported to be these: the weight, the fineness of the standard, the relative value of the monies in gold and silver, and the



abuse of exchange for monies by bills, wherein all the former were included. This last, it is to be observed, was a new cause which had grown up in consequence of the credit that had now become attached to merchants' bills of exchange. The difference of weight, fineness, and valuation, the commissioners declared were not true causes of exportation, if there were betwixt countries a due course holden in the exchange of money; but that due course not being observed, then they might accidentally become causes: that is to say, amongst merchants and bullionists, there is no reason why the weight, fineness, and relative value of one kind of metal money to another should not be understood and adjusted, as well on one side the English channel as the other, and if so, then no mercantile profit was to be got by the transport of it on account of its weight and fineness, unless the usual course in the exchange of money were disturbed by some other cause. This was all good reasoning, but when they stated this disturbance to have arisen from an overbalancing of foreign commodities, increased by the immoderate use of them, and by neglect of setting the people on work, they only explained one difficulty by starting another. It was, however, represented to the king as a fact, that the gold coin called the unit, which was current for a pound sterling in England, was valued in foreign parts at 1*l*. 2*s*. sterling. This effect was stated to have been produced by the increased importation of silver from America; but the truth was, that though the silver standard in England had not been officially altered from the last standard of Elizabeth, yet it was virtually altered by the silver in circulation getting worn down or clipped, so that upon an average the unit was really equivalent to 22*s*. of the silver money, when both were brought to the goldsmith's scales, and determined by the relative value of the metals fairly rated. Instead, however, of restoring the silver money to its legal specific weight, which ought to have been the case, if the increased importation of it had caused the



derangement, James ordered that the gold money should be raised 10 per cent. in its numerical value, and that the unit should thenceforth be current in England for 1*l.* 2*s.* sterling, and all other gold monies in proportion.

As this enhancement of gold went somewhat beyond the absolute difference in the mercantile value of gold and silver, the effect of it was for a time to bring gold to England, and to cause a comparative scarcity of silver, insomuch that it was in serious contemplation to alter the silver standard, so as that the pound weight should be coined into 66*s.* instead of 62*s.*; but by the advice of several eminent merchants this measure was suspended. By a new coinage of gold, which took place at this time, a new piece of gold was authorized to represent the pound sterling. Its weight was five pennyweights, twenty grains and a half. It was still called an unit; but to distinguish it from the unit of 22*s.* value, its common appellation was a "Laurel," because the king's head upon it was surrounded by a laurel-wreath. Though by this coinage gold experienced a further trifling enhancement, viz. of 2*s.* 8*d.* in the pound weight, yet the pound sterling having now a distinct representative in gold (which it had not during the time that the old unit represented 22*s.*, for then the pound sterling had no other representative than 20*s.* in silver), the extra demand for silver for mercantile purposes was for a time checked. It was, however, only a temporary check; for, in defiance of all the expedients which James and his councillors could adopt to prevent merchants and goldsmiths from giving better prices for the material of money than those held out by his majesty's mint, the scarcity of money in circulation became every day more severely felt.

At the commencement of this reign, the money of Ireland, which had been of the standard of only three ounces fine to nine ounces alloy, was ordered to be made of the standard of nine ounces fine to three ounces alloy; and the magistrates were required to see that the prices of provisions were adjusted to

this increased value of money, in like manner as had been done in England by Queen Elizabeth. As much confusion had arisen from the application of the word "sterling" to the improved Irish money, in consequence of his majesty having used that term in an ordinance, it was ordered that the word sterling should be utterly abolished in reference to Irish money, and that the shilling of Ireland should be called twelve-pence Irish, and not twelvepence sterling.

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### CHARLES THE FIRST.

TILL this time, and especially during the reigns of Henry the Eighth, Edward the Sixth, Mary, and Elizabeth, it had been the lot of the people to bear all the evils arising out of a vacillating money system; but now the tables were turned, and it became the fate of the king to suffer from it. We have already observed that James the First followed this shifting system whithersoever it would lead him; the consequence of which was, that his son Charles inherited the crown under such embarrassment, that turn whatever way he would, he could not extricate himself. It is to be recollected, that from the time of Henry the Seventh, the strength of parliament had been rapidly on the increase. That monarch having the talent to render the power of parliament subservient to his personal avarice, fostered its growth. His son, Henry the Eighth, found the support of parliament very useful in liberating his crown from the inconvenient interference of the pope, and by availing himself of its aid, he infused further strength into its constitution. The succeeding reigns of Edward the Sixth, Mary, and Elizabeth, were very favourable for the confirmation of that strength; so that when Elizabeth had settled, as she thought, the principles upon which money was



thenceforth to be coined, she bound the crown to conform to a law for the coinage of money, which another power in the state was now in a fit condition to enforce. But against such conformity to the legal principles which governed the coinage, those practical principles, which regulated the currency, formed a natural and insurmountable impediment. Instead, therefore, of Elizabeth having by her money laws destroyed the money-monster, as she vainly hoped, their establishment had, in fact, only tended to bring both prince and people more decidedly beneath its grasp.

It was the fate of Charles the First to afford melancholy proof of the truth of this assertion. Inheriting with his father's kingdom his father's debts, and being involved in a foreign war, he found his occasions for money soon surpass all common means of supply. His first expedient was to enhance the value of both gold and silver in coin. Accordingly, in his second year, a commission, bearing date the 14th of August, was granted for coining the pound weight of silver into 3*l.* 10*s.* 6*d.* sterling, and the pound weight of crown gold into 44*l.* The effects of this regulation would be, first, that all old monies, whether of gold or silver, would become merchandize, and thereby cease to circulate as mere currency; and, secondly, that by the silver being enhanced much more than gold, the gold would be entirely bought up with silver by the bullion dealers. Such would seem to have been its immediate consequence; for so early as the fourth of the following month, a proclamation was issued for the purpose of indirectly annulling the coinage under the commission of the 14th of August. By that proclamation it was ordered, that all gold and silver monies should only be legally current in such species, and at such weights, fineness, and value, as the same were current at on the first day of August preceding; and that all monies of gold and silver coined since the said first day of August, in any other manner than according to the proclamations which were in force upon that day, should be esteemed but as bullion, and



not be current. Rapidly as these changes were made to take place, there can be no doubt that those who understood the mystery of money would be quick enough to make great advantage of them, at the cost of others who were ignorant of the consequences.

By a commission for coining, bearing date the 7th of September, the same regulations as to weight and fineness were returned to, which were in existence when Charles came to to the throne. But this little flirt (as it were) with the value of money, had taught the bullion dealers and the people generally, to take good care of their old money ; so that the scarcity of it in circulation was increased ; and as from the repeated enhancements of the value of gold in its relation to silver since the time of Elizabeth, the silver money afforded rather more profit for foreign payments than gold, so it became a common practice for bullion-dealers to cull the weightiest and best of the silver money (for which, according to Rushworth's account, they gave a premium of two and sometimes three shillings in the hundred pounds), to melt and transport the same. The deficiency of silver money in relation to gold increased so much, " that the drovers and farmers, who brought cattle to Smithfield, would commonly make their bargain to be paid in silver ; and it was usual to give twopence, and sometimes more, to change a twenty-shilling piece of full weight." After this, a large quantity of silver was, for some years, brought to the English mint to be coined, under an agreement which was entered into betwixt England and Spain : but instead of making money in general circulate more plentifully, it only caused the export or monopoly of gold to become profitable and practised ; till in the end, the foreign demand for English money, first silver, and then gold, aided by the monopoly at home, caused the want of coin in circulation to become an evil too great for the king to surmount.

In 1639, his Majesty was made to feel his dependance upon parliament and the monied interests of the nation. In the

parliament which met at Edinburgh that year, it was demanded of the king that the coin of the kingdom should not be meddled with but by the advice of parliament. This attempt to invade his prerogative, as his Majesty called it, he resisted in high terms, saying, "The coin is a prerogative most peculiar to the crown, and none can meddle with it but by our consent, without incurring the punishment of high treason, as it is in all kingdoms." But these were vain words, and only evinced, that in proportion as actual power is lost, the apparent owner is likely to become more than usually tenacious of its semblance. Charles presently found to his cost that he had no legal means of possessing himself of the material of money in quantities adequate to his wants, and that without this the prerogative of coining was an idle privilege. To relieve himself from this difficulty, he notoriously broke those laws, the maintenance of which constitutes the essential condition on which an English monarch holds his crown. In the month of July 1640, he gave orders to seize upon the bullion in the Tower, which had been brought thither by merchants from abroad, to be coined. But not being honest enough to stick to the right, nor yet wicked enough to persevere in a wrong cause, and finding that this unjust proceeding would effectually prevent any more metal from being brought into the Tower, he was induced to release it on condition of one-third part, viz. 40,000*l.* being lent to him. Thus the king lost the bulk of the money, and did not regain the confidence of the people. On the contrary, in a petition on the 24th of April following, by the citizens of London, a petition subscribed, as it is said, by 20,000 persons of good rank and quality, it was stated, "that the stopping of the money in the mint, which, till then, was accounted the safest place and surest staple in these parts of the world, did still hinder the importation of bullion."

Another scheme which Charles had recourse to for getting money, was such as, at the present time, would deprive a

common man of the benefit of the insolvent debtor's act: he became a trader, and bought on credit a large quantity of pepper, which he sold again immediately, for money, at a rate much under its value. He next wished to do as Henry the Eighth and Edward the Sixth had done, viz. to make a larger quantity of money out of the same quantity of silver. It was debated in council to mix silver and copper together, and to coin to the value of 300,000*l.*: the coin to be such, that three-pennyworth of silver, added to a certain quantity of copper, should be made current for one shilling. But herein he was made to feel his weakness. Sir Ralph Freeman, master of the mint, well knowing that parliament would be able and willing to make good the sentiments he expressed, declared to Lord Strafford that the servants of the mint-house would refuse to work the copper money, to which the earl is reported to have replied, "Then it were well to send those servants to the house of correction:" and to the house of correction, or something worse, both they and the master of the mint would have gone, if they had ventured to utter the like sentiments in the time of Henry the Eighth; but the arbitrary power of the crown had now received a check, from which it could not recover, and was itself made to yield obedience to the supreme dominion of gold and silver.

Charles having, in such instances as these, set at nought the sacredness of his own laws, was met by his opponents upon the common ground of mere natural power; each party seeking its strength in the means it had of raising money. The two universities, and the king's party, supported the king with all their plate, and the great bulk of the people supported the parliament with all the bullion they could muster. Hudibras very justly called it the cause of gold and plate, and ridiculing the eagerness with which the people brought forth their gold and silver vessels, he says,—

For when they thought the cause had need on't,  
Happy was he that could get rid on't.



Did they not coin pots, bowls, and flaggons,  
 Into officers of horse and dragoons?  
 And into pikes and musqueteers  
 Stamp beakers, cups and porringers?

The result of the contest is well known.

In 1647, parliament having resolved to stop the circulation of clipped money, ordered that it should only be received as bullion; but this regulation was not to apply to old monies which had grown light through wear.

In proportion, however, as the intrinsic value of the coin was increased, the inducements to circulate it were diminished, and the parliament became so distressed for money wherewith to pay the army, that they gave orders to seize the public treasuries of Goldsmiths', Weavers', and Haberdashers' Halls. And notwithstanding twenty millions of money were coined within twenty-five years, according to the mint books, it was almost all transported or melted down; so that weighty gold, as a writer of that time observes, was as precious in the kingdom as diamonds.

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### OLIVER CROMWELL.

CROMWELL was indebted to a lucky accident for the means of fixing the powers of government absolutely in himself. Three Hamburgh ships, having 300,000*l.* in silver on board, had been detained upon suspicion that it was the property of the Dutch. Cromwell hearing of the silver, ordered a detachment of soldiers on board, and seized it. Having thus possessed himself of money, he was emboldened to take upon himself the right to dissolve the parliament. The grand secret of Cromwell's policy appears to have been, with money to govern the army, and with the army to govern the people; and thus governing the people by mere military power, he

was provided with the means of getting money, or the material of money, wherever it was known to exist. The alienation and sale of church and other property, was also a fertile source of revenue to him ; and for the few years that this system continued, there was such an increased quantity of money in circulation, as justified a remark made afterwards by Lord Lucas, that in the time of the late usurping powers, though the taxes were great, the means which people had of obtaining money were great also.

But these modes of creating supplies could not last long ; they would do for an emergency only, and the time would inevitably come when such summary means of making a revenue would as suddenly fail : this, however, was a state of things for which Cromwell's death saved him the necessity of providing. In the meantime, the people had seen enough of the system to make them wish for a change ; and a recurrence to the laws for the protection of property was gladly hailed by all parties.

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## CHARLES THE SECOND.

No sooner was the constitution re-established by the restoration of Charles, than scarcity of money became again the bane both of the prince and of the great bulk of the people ; and recourse was again had to various arbitrary and oppressive enactments in hopes of a remedy. The exportation of gold and silver was absolutely forbidden, until it was discovered that this regulation was better calculated to check their importation than to prevent their being sent out of the country. So far did this zeal exceed the bounds of common sense, that it was foolishly thought the making of gold and silver wire and lace, and the gilding of carriages, &c., were the cause of the scarcity, and therefore prohibitory laws were enacted against the free exercise of those trades. But

all these regulations were to no purpose. The disease was not understood, and it is therefore no wonder that the remedy was not efficient. Those who had the means of monopolizing the precious metals felt it to be their interest to monopolize them, and private traders could afford to give higher prices for bullion in current light money, than his majesty's mint could afford to give in new coined money; so the mint was badly supplied with the material, his majesty was ill supplied with money, and the great bulk of the people who wanted coin for the mere purposes of circulation, were crippled in all their transactions, whilst in the coffers of the great capitalists there was abundance. The pernicious political bearing of such a state of things was well illustrated by Lord Bacon, in that remark of his which forms the motto of our title-page.

The scarcity of money still continuing, the government was forced to adopt the old expedient of diminishing the specific value of the pound sterling; and here was at once a good profit for the capitalists. The old unit (the coined weight of which was six pennyweights, ten grains and three-quarters) which King James had coined at the commencement of his reign to represent the pound sterling, but which he afterwards advanced to 1*l.* 2*s.*, was now ordered to represent 1*l.* 3*s.* 6*d.*, and the new unit or laurel (the coined weight of which was five pennyweights, twenty grains and a half) was enhanced to 1*l.* 1*s.* 4*d.* In two or three years after this enhancement, the guinea (so called from the gold of which it was first made being brought from the coast of Guinea) weighing five pennyweights, nine grains and a half, was coined for the purpose of giving a new gold representation to the pound sterling. This end, however, was not attained, for the guinea, reduced as it was in weight from the old 20*s.* piece, was no sooner issued than it bore to the current silver the relative value of 20*s.* 6*d.* From that time the old unit of both sorts received the name of broads or broad-pieces. This enhancement of the value of gold being found inadequate to the proposed end, a law was



shortly afterwards passed by which the state undertook to defray the whole expense of the coinage, so that those who brought bullion to the mint were to be entitled to receive it back in current coin without any deduction whatever: a tax was imposed upon wines, vinegar, cyder, and beer imported, for the purpose of defraying the expense.

Had this regulation of the coinage been accompanied with any measure that could have checked the material of money from being monopolized, its effects would have been beneficial; but for want of such a principle of counteraction, its effect was to bring the circulating medium of the kingdom more than ever under the control of bullionists and merchants. The following extract shews what was thought of it at the time.

“Sir Dudley North was infinitely scandalized at the folly of this law, which made bullion and coined money par, so that any man might gain by melting; as when the price of bullion riseth, a crown shall melt into five shillings and sixpence; but on the other side, nothing could ever be lost by coining; for, upon a glut of bullion, he might get that way too, and upon a scarcity melt again; and no kind of advantage, by increase of money, as was pretended, like to come out.

“The reasons why the scheme prevailed were, first, that the crown got by the coinage duty; next, that the goldsmiths, who gained by the melting trade, were advancers to the treasury, and favourites.

“The country gentlemen are commonly full of one profound mistake, which is, that if a great deal of money be made, they must of course have a share of it; such being a supposed consequence of what they call plenty of money. So little do men follow the truth of things in their deliberations; but shallow, unthought prejudices carry them away by shoals. In short, the bill passed, and the effects of it have been enough seen and felt; however the evil hath been since in some sort, but not wholly, remedied.”—Life of Sir Dudley North, p. 179.

In the year following that in which the coinage was made free from seignorage, goldsmiths and brokers found it profitable to buy up with gold the weighty silver pieces, such as dollars and pieces of eight, which it is said they could buy for 5s. 3d. a piece; but instead of bringing them to the mint to be coined, they sent them to France, to Ireland, and to Scotland, where their relative value in payments to the current but lighter silver in England was such as to yield a very considerable profit.

In 1670 such continued to be the scarcity of money, that when the subsidy bill for granting one-twentieth of all estates was read a second time in the House of Lords, his Majesty being present, Lord Lucas spoke to the following effect. He began by stating that all those hopes had been disappointed, under the impression of which his Majesty had been recalled to the exercise of the regal power; that the burthens of his subjects, instead of being lightened, had been increased, whilst their strength to support them had been diminished; that in the times of the late usurping powers, though the taxes were great, yet there was plenty of money throughout the nation to pay them with; "but now," continued his lordship, "there is nothing of this; brick is required of us, and no straw is allowed to make it with. For that our lands are thrown up, and corn and cattle are of little value, is notorious to all the world. And it is as evident that there is a scarcity of money; for all the parliament money called *Breeches*, a fit stamp for the coin of the Rump, has wholly vanished; the king's proclamation and the Dutch have swept it all away; and of his now Majesty's coin there appears but very little; so that, in effect, we have none left for common use, but a little lean coined money, of the late three former princes; and what supply is preparing for us, my lord? I hear of none, unless it be of copper farthings; and this is the metal, according to the inscription upon them [the farthings], '*Quatuor maria vindico*' that is to vindicate the dominion of the four seas."



Sir W. Petty, speaking of the extreme scarcity of money in Ireland about this time, says, it would have been easier for the Irish labourer to have contributed forty-nine days' labour for the use of the state, if taken at seasonable times in the course of the year, than to raise two shillings for his hearth tax at one period, and just when the collector called for it. This extremity of hardship appears to have been produced by the narrow policy of the British government. The agricultural interest in England suffering greatly from the scarcity of money, was carried away with the impression that the introduction of Irish cattle into the English market was the cause of the farmers' distress; and parliament was accordingly induced to prohibit the importation of Irish cattle into England, though at the same time a considerable part of the army of Ireland was subsisting in England, the expense of which was to be paid for by Ireland. Under these circumstances, to furnish the sums that were demanded, Ireland was obliged to send her goods to distant parts of the world, to Barbadoes for instance, where an exchange was made for sugars, and the sugars being remitted to England, discharged the obligation; but at such great charges to Ireland, that whilst they had any money left, the payment was of course made in money.

With these facts before him, it is surprizing that Sir W. Petty should have maintained the following sentiments on absenteeism without some further qualifications. They are of such old standing, and yet so closely agree with those which have recently excited a good deal of attention, that we are tempted to transcribe them:

"Many think," says Sir W. P., "that Ireland is much impoverished, or at least, the money thereof much exhausted, by reason of absentees, who are such as having lands in Ireland, do live out of the kingdom; and do therefore think it just that such, according to former statutes, should lose their said estates.

"Which opinion I oppose as both unjust, inconvenient, and



frivolous. For, first, If a man carry money or other effects out of England to purchase lands in Ireland, why should not the rents, issues, and profits of the same return into England with the same reason that the money of England was diminished to buy it.

“Secondly. Suppose one quarter of the land of Ireland did belong to the inhabitants of England, and that the same lay all in one place together, why may not the said quarter of the whole land be cut off from the other three, and sent into England, were it possible so to do? And if so, why may not the rents of the same be actually sent, without prejudice to the other three parts of the interessor thereof?

“Thirdly. If all men were bound to spend the proceed of their lands upon the land itself, then, as all the proceed of Ireland ought to be spent in Ireland, so the proceed of one county in Ireland ought to be spent in the same, of one barony in the same barony, and one parish and manor; and at length it would follow, that every eater ought to avoid what he hath eaten upon the same turf where the same grew, &c. &c.”

The above reasoning would be perfectly fair if commerce were perfectly free, and if some natural law were in existence to prevent money from being monopolized by states or individuals, to the prejudice of other states and other individuals. But whilst a nation is liable to fulfil its engagements, not in produce, but in metallic money, and that money is liable to be limited in amount, and checked in its free circulation, sometimes by natural causes, and at other times by the arbitrary enactments of a neighbouring state, or by the secret monopoly of some great capitalists, then the experience of Ireland shews that it may, according to the facts already quoted on Sir W. Petty's authority, be easier for an individual to contribute forty-nine days' labour to the use of the state in the course of the year, than to give the small sum of two shillings in money. We have had experience of this in our own day.

Towards the latter end of Charles the Second's reign, it was proposed to coin farthings of tin. But the farmers of the scheme would not undertake it without his Majesty agreed to their supplying England, Ireland, and the Plantations. The design was opposed by the officers of the mint as a gross fraud; and when it was represented to his majesty that he must expect ultimately to receive his revenue of excise in them, and the Duke of York his postage, the intention was abandoned.

### JAMES THE SECOND.

THE ruinous course of an absolute money system which brought every thing of value under the control of those who could govern the precious metals, was now rapidly tending to a crisis. Charles the Second died February 6, 1684—5, and on December 23, 1688, James abdicated the throne, and went to France. In March following he came into Ireland, and immediately raised the current value of the guinea to 24s. and other coins in proportion. This expedient failing to supply him with a sufficiency of money, he coined brass and copper sixpenny-pieces for the purpose; as was stated in the proclamation, of remedying the scarcity of money in Ireland, of better subsisting his army, and of enabling his subjects the better to pay and discharge the taxes, excise, customs, rents, and other debts and duties, which were, or should be hereafter payable to his majesty. He continued to debase the money more and more, till at length a pound weight of mixed metal, which cost him fourpence, was coined into money representing near 10*l.* sterling. The people were compelled, under severe penalties, to take this base money in liquidation of engagements entered into on the faith of receiving good regular money. The soldiers were paid their wages in it, and

tradesmen were obliged to receive it for goods and debts. The governor of Dublin, the provost marshal and his deputies, threatened to hang up all that refused it.

Though James had repeatedly pledged the royal authority that the base money thus paid should be ultimately redeemed by good coin, yet, as soon as the battle of the Boyne had taken place, whereby he was finally dispossessed of his kingly title, a proclamation was issued by William III., assigning to the currency of his predecessor a value in payment upon a par, or nearly so, with the market value of the metal of which it was made, so that the large half-crown of King James was at once reduced to one penny, and the large copper shilling to one farthing. It is computed that 6 or 7000*l.* worth of metal had been made to represent upwards of 2,000,000 of money, of which only 22,000*l.* was found in the mint when James fled from Ireland: the loss, therefore, to those who had been compelled to take this money must have been very considerable.

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## WILLIAM AND MARY.

THE commencement of this reign was distinguished by an extraordinary scarcity of money in England, and an inquiry was instituted to ascertain the cause. In a petition to the House of Commons, dated April 9, 1690, from the working goldsmiths of London, it is stated that the Jews and merchants were in the habit of giving for silver three halfpence per oz. above the mint price; and that the melting down of plate and milled monies was so encouraged by this, that the petitioners were deprived of the means of carrying on their trade, and the mint stopped from coining; and that since the preceding October, 286,102 ounces of silver bullion, and 89,949 dollars had been entered at the Custom-house for exportation by private persons. This statement was fully corroborated by



the report of the committee of the House of Commons, on the 8th of the following month, which assigns as the reason for this exportation, that the French king, finding money very scarce in his dominions, had raised the value of silver in coin ten per cent: that is, a person who owed money in France, or wanted to purchase goods there, was from that time permitted to discharge a debt of 110*l.* sterling, with such a given quantity of standard silver as up to that time would only have been equivalent to 100*l.* sterling. But the like enhancement was not made in the value of gold, and therefore it was in relation to gold money, and to credit or existing money contracts in France, that the silver money was thus enhanced; in like manner as thrice in the same century the same thing had been done in England, only it had been done here in favour of the gold currency.

Notwithstanding this enhancement of the value of silver in France, the old silver standard was continued in England; so in order to turn that new measure of France to a profitable account, the dealers in money, especially the Jews, sent the gold to England, where they could exchange it for crown pieces and other silver money of full weight, and with this silver they were enabled to take the full private benefit of the French king's measure. The profit resulting from this course of exchange was such, that in a very short time England was drained of many hundred thousand ounces of her best silver money. It is to be observed, however, that whilst English silver was current abroad only by weight, in England it was current by tale, constituting a legal tender to an unlimited extent. When it was afterwards limited, the law permitted that to the amount of 25*l.*, silver, however light, having the appearance of being genuine, should be a legal tender. The traffic in silver was therefore not limited to the exchange of gold for it; but a farther opening for private profit was found in the exchange of light silver for heavy; thus, if with twenty-one light shillings the dealer could buy four crown

pieces of full weight, for which he could in France obtain value, at the rate of twenty-two shillings, according to weight, whilst the person who took the twenty-one light shillings could pay them in England by tale for one shilling more than the four crown pieces were authorized to be paid for ; both these parties, it is obvious, would gain profit by the transaction, at the expense of the public at large. The better part of the English silver currency being thus made to bear a premium over the inferior part, and yet the inferior part constituting a legal tender, the exchange betwixt light and heavy silver became a profitable trade, and there resulted from it a greater scarcity of silver currency in England than had previously been felt in France. The better part of it being continually carried off either for hoarding or for exportation, any thing, at last, that bore a resemblance to the English silver currency was tolerated in the circulation ; and so light and bad was it, that there were half-crowns then current which were jocularly said to be 7*s.* 6*d.* too light ; by which was meant, that one being put into the scale, it required the addition of three others of the same sort, to make up the weight which that one half-crown ought by the standard to have been. Thus England had a legal standard for silver, which required that 62 shillings should weigh a pound troy, and yet an authorized currency, of which it might take 120 shillings or more to make a pound troy.

England being then engaged in war, suffered very greatly from this derangement of her currency. The money which was collected in taxes by tale, and which, from the scarcity of money thus artificially created, cost the people nearly as much labour to get, as it had formerly done when the coin was of proper weight, was obliged to be paid for the support of our army abroad by weight. For though we might chuse to call 20 light shillings a pound sterling at home, and oblige ourselves by law to receive them as such from each other, and in discharge of any debt from abroad, yet we could not per-



suade the Dutch to submit to the like conditions : on the contrary, the pound sterling, which in the beginning of the war was equivalent to 43 Dutch schellings, now became gradually lowered (owing to the diminished quantity and character of that money, by which in England the pound sterling was liable to be represented,) till at length it was only deemed equivalent abroad to 28 Dutch schellings.

With a view to force good silver money into circulation, severe punishments were denounced against those who should exchange a given quantity of the better sort for a larger quantity of the inferior. But instead of this measure forcing the better part of the silver into circulation, the immediate effect of it was to cause the barter in money which heretofore had gone on directly betwixt perfect and imperfect silver, to be thenceforward carried on indirectly through the medium of gold. For now those who possessed heavy silver, even if it were of full weight, could only pass it legally in England for 20 shillings to the pound sterling ; whereas, with 22 shillings of silver full weight, they could and might legally purchase a guinea, and for this guinea they could readily obtain 29 or 30 shillings of the current light silver, and 20 shillings of this light silver, as before observed, was a legal tender for a pound sterling, in any payment under the amount of 25*l.* ; so that (according to Burnet) from the time that the direct exchange of perfect for imperfect silver was prohibited by law, the guinea was deemed equivalent to 30 shillings.

Mr. Ruding, in speaking of this period, in the *Annals of the Coinage*, says :

“ For a long time, both the government and the people had beheld their specie, as it were, melting away before their eyes, and almost every man was become, in some way or other, a robber of the public ; for he who neither debased nor diminished it, yet either hoarded or sold what fell into his hands undebased or undiminished.” And quoting Ralph’s *History of England*, he adds, “ The opposition writers of the time



asserted that the remittances for the charge of the war every year, carried out of the kingdom from a million and a half to two millions of money, either in specie or bullion, which was the same thing; that all this wealth not only centered in Holland, but was negotiated there a thousand ways to our prejudice; that as our coin degenerated from bad to worse, they either refused to take it at all, or took it by weight, which generally reduced the value to half its denomination; that the heavy part of it they first clipped as close as possible, and then remitted it hither again, where it was current by tale; that the light they melted down, and debased into their own schellings, which became the currency of the army, and by which they had all the profits of the coinage, &c.; that they prevented the Bank of England from erecting a mint in Flanders, &c.; that a great part of our base coin was minted in Holland, and from thence obtruded upon us; that after having beat down the value of our guineas abroad to nineteen shillings sterling, [this of course means in relation to shillings as *they ought to be*], they remitted them to England, where they were current for thirty shillings, [that is, such shillings as *they were*]; that all foreign gold, rising in value in exact proportion to this rise upon guineas, they took the advantage to buy up our grain and manufactures with it, and thereby enabled themselves, at our loss, to forestall and undersell us in all the markets of Europe." All this was not the mere exaggerated statement of the opposite party, as is shewn by Mr. Ruding, who represents the Chancellor of the Exchequer and his party as alleging officially the like truths, viz.

"That by reason of the ill state of the coin, the exchange abroad was infinitely to the nation's prejudice.

"That the supplies that were raised to maintain the army, would never attain their end, being so much diminished and devoured by the unequal exchange and exorbitant premiums, before they reached the camp.

“ That this was the unhappy cause that the guineas advanced to thirty shillings, and foreign gold in proportion.

“ That therefore to the nation’s great loss, not only the Dutch, but indeed all Europe, sent that commodity to this market, and would continue to do so, till the nation should be impoverished and undone by plenty of gold.

“ That we must exchange for their gold our goods, or our labour, till at last we should have only guineas to trade withal ; which nobody could think our neighbours would be so kind as to receive back at the value they were here.

“ That therefore the disease would every day take deeper root, infect the very vitals of the nation, and if not remedied, would soon become incurable.”

These, be it observed, are the declarations of the ministerial party at that time. After this description of the disease which afflicted England, let us advert to the remedies which were suggested for its cure.

All seemed to agree that a recoinage of the silver was necessary ; the question was, how and upon what terms it was to be made.

The Chancellor of the Exchequer and his party contended that a recoinage of the silver currency ought to be effected agreeably to the old standard, viz. 5s. 2d. per ounce.

The party in opposition maintained that the recoinage ought to be made at the rate of 6s. 3d. per ounce, alleging that to be the market price.

It was maintained by the ministerial party, that the market value of bullion was merely in relation to diminished money ; that it was matter of fact, that with 5s. 2d. of new milled money an ounce of bullion might be bought, whilst those who bought it with clipped pieces paid 6s. 3d. The inference intended to be drawn from this argument was, that 5s. 2d. per ounce was actually the market price. But this argument, it is obvious, was calculated to get rid of the question rather than to settle it. For the question was not merely whether 5s. 2d.

of new-milled money, which by law was to weigh an ounce, would buy another ounce of uncoined silver; this was merely reducing the question to the dogma of Mr. Locke, on which the reasoning was founded, namely, that an equal quantity of silver is always of equal value to an equal quantity of silver; but how was new-milled money at 5s. 2d. per ounce to be obtained in quantities sufficient for the necessities of the people of England, when 22s. of such silver money would exchange abroad for a guinea, and a guinea would buy 29 or 30 light shillings, 20 of which shillings were allowed by law to discharge a debt of one pound sterling. It is plain that the tendency of this must be to drain England of her silver, and that to regain possession of it she must purchase it with gold, at a price considerably higher than she professed to issue it.

Notwithstanding the powerful opposition which the ministerial party met with, the Chancellor of the Exchequer ultimately succeeded in carrying his plan into effect for a recoinage of silver money at the old standard of 5s. 2d. per ounce.

As might be expected, a law, enacted shortly afterwards, authorized the receivers and collectors of the taxes and revenues to take silver at the rate of 5s. 8d. per ounce, or, in other words, to allow a premium of 6d. per ounce, over and above the mint price upon all uncoined silver brought in. Thus all the money which the government borrowed at this time, and all the money received in taxes, was authorized by law to be paid to the government at the rate of 10 per cent. higher than that price at which the government was pledged by law to pay it away again; and to provide for this losing game, the government was obliged to keep borrowing money on Exchequer bills, at the rate of 7l. 12s. per cent., to the great profit of all money lenders, and to the great loss of all the rest of the nation.

Had the proposition of the opposite party been complied



with, the above consequences might for a time have been averted; and as far as the question was discussed, the right was with those who proposed to enhance the value of the silver currency of England to 6s. 3d. per ounce; but this conclusion arises solely from the argument not having been carried far enough. For let it be admitted, that the 10 per cent. enhancement of the value of silver in France had occasioned plenty there and scarcity in England; and that a 20 per cent. enhancement of the value of silver in England would for a time have caused plenty in England, and a consequent scarcity in France; yet the whole history of money shews that a farther enhancement on the part of France would have called for a repetition of the like operation on the part of England, till the intrinsic worth of the metal currency of both countries would have been almost annihilated.

Such, however, were the remedies first proposed for extricating England out of her pecuniary difficulties. Enough has been said to shew, that neither of them alone could ever have succeeded.

Before we proceed to notice that remedy which did prove efficient, it may be useful to observe, that the evil which afflicted the nation, and for which a cure was sought, arose not from a natural, but an artificial scarcity of silver. There was probably as much silver then in existence as there had ever been at any previous period; but from an unequal distribution of it subsisting betwixt two rival kingdoms, the means one of them took, as she thought, to rectify her want, proved presently the means of occasioning the like calamity to exist in the other. In the end this brought on distress of a similar kind betwixt individuals of the same kingdom, whereby the self-interest of every man was called up in opposition to the general interest of the whole, until in fact the scarcity of money thus artificially created, had rendered the monopoly of the material of money, viz. gold and silver bullion, a sure and an increasing source of profit to those who could take

advantage of it, and as sure a source of increasing misery to the nation at large.

Whilst the artificial deficiency of the material of money lasted, which would be as long as it was the interest of those to make it scarce who held the stock in reserve, it is manifest, that to look for a cure of the evil in the mere recoinage of the money, whether by the scale proposed by the ministers, or by that of the opposition, would be as vain and foolish as to expect in a time of famine, that a deficiency of corn would be remedied by a new method of measuring it. If the scarcity in either case arose from its being the interest of certain parties to withhold from the market a supply adequate to the demand, the cure must be looked for in some measure which should have the effect of making it the interest of the withholding parties to cease from their pernicious policy. In the progress of this money famine, a measure was fortunately hit upon, which had the effect of making the money hoarders disgorge their treasure.

In the session of Parliament, 1694-5, an act passed the legislature totally to suspend for a time the coinage of guineas ; and the importation of guineas, half-guineas, &c. was also absolutely prohibited.

These measures, in conjunction with the establishment of the Bank of England, which had been founded a short time before, struck at the root of the monopoly of the precious metals. For it follows, that when men were deprived by law of the possibility of obtaining gold, no man could be compelled by law to make payment in gold ; and thus bank-notes, bills of exchange, and silver, (which latter was so imperfect as to cause the credit money generally to be preferred), would constitute the only currency. The necessity of obtaining gold for payments being thus altogether suspended, the holders of it soon found that article to be a dead stock on their hands, and instead of the people having to tempt the holders of gold to part with it, the gold hoarders had now to tempt



others to take it from them. The good effect of this was manifest: the value of gold declined rapidly. On the 15th February following, parliament was in a condition to pass a resolution, that no guineas should be received in payment at a higher rate than 28s. On the 28th of that month, they were reduced to 26s. This falling market presently made gold so plentiful, that there then appeared as great a rage to get rid of it as a year before there had been to hoard it. On the 25th of the following month (March), guineas were reduced by law to 25s., with the proviso that no person should be compelled to take them at that price, and in two or three weeks afterwards they were brought down to 22s.

Mr. Leake, remarking upon the difficulties of this period, in his *Historical Account of English Money*, says: "In the mean time a paper prop supported the state, whilst its silver pillars were removed, which laid the foundation of our paper credit. But there was gold too much, necessity giving a currency to guineas, till silver was supplied, and as soon as this was done, in some measure, guineas were lowered to 1*l.* 5s. after the 25th of March, 1696, and half-guineas, double-guineas, and five-pound pieces in proportion, under a penalty; but not compelling any one to receive them at that price. An act was likewise passed for taking off the obligation for coining guineas, from the 2nd of March, 1695, till the 1st of January following, during which time no guineas were to be coined at the Mint, and they were also forbid to be imported. The 10th of April 1696, they were brought down to 1*l.* 2s., and being now reduced so near the standard and the nation better stocked with the new silver money, guineas were again coined, and it was made lawful to import the same." P. 393.

Many a wise legislative measure has been brought into existence by mere necessity, without the parties adopting it being aware of its consequences. And judging from the account which Mr. Leake has given of the period in question,



it would seem that the power of the measure which at that time had the effect of checking the monopoly of gold was not understood.

Mr. Leake began to publish his opinions upon these matters about thirty years after the above-mentioned occurrences, a time near enough, and not too near, to admit of his gathering the consolidated judgment of the statesmen of the time, divested of party views; and the above extract is from an enlarged edition of his work published twenty years subsequently. The incidental manner in which he notices the suspension of the gold coinage, and the prohibited importation of guineas—the unqualified assertion that there was too much gold in the country, when it was notorious that the guinea was worth 1*l.* 10*s.* sterling, while the circulation of it, as money, was virtually superseded by the paper prop, as he calls it, and by the prohibition given to the coining or importing of guineas,—the attributing their reduction to the mere increase in the quantity of silver, which, to have produced the effect attributed to it, must, from the 25th of March to the 10th of April, have been immense indeed; whereas Mr. Leake afterwards records that such continued to be the scarcity of silver, that till the 1st of July 1697, government was obliged to allow for it, in payment of the revenue, a premium of sixpence per ounce over and above the Mint value, and also to allow 7*l.* 12*s.* per cent. per annum interest for such money as was lent them on exchequer bills—and finally, the immediate adoption of the old system by government, without any qualification, as soon as guineas got down to 1*l.* 2*s.* each, although, as before stated, the government was still obliged to give a premium of ten per cent. upon silver—these conflicting views, promulgated by a writer under the circumstances of Mr. Leake, show that the nature of the disease which afflicted the country was never clearly understood by him, probably not by the government; and that the measure which struck at the root

of the evil was rather the result of accident and sheer necessity than of legislative foresight.

### QUEEN ANNE TO GEORGE THE FOURTH INCLUSIVE.

By the establishment of the Bank of England an important change was effected in the money system of England. The frequent returns of war throughout the eighteenth century, furnished occasion for parliament to make frequent and large concessions of taxes. These being granted, exchequer bills and bank notes provided a credit currency, through which the taxes were paid agreeably to the representation in p. 9. The funding system gave perpetuity to this credit currency, the extent of which must otherwise have been limited to the amount of taxes immediately forthcoming.

At first the credit currency was in great disrepute; but as bank notes were received by government in discharge of all taxes, customs, &c. and also in payment of government loans, the same as specie, they were soon felt to be as efficient for the mere purposes of home circulation as the best metallic money. The immediate effect of this was to diminish the absolute necessity for gold, and in consequence to diminish the value of it, in like manner as a suddenly increased supply of gold from the mines would have done. A further consequence ensued from this credit currency: it altered the relation which had previously subsisted between gold and silver. From a report presented to the House of Commons, by Mr. Locke and some other gentlemen of celebrity, on the 22nd of September 1698, it appears that gold in relation to silver was not so high on the continent as in England, and it was recommended that the guinea, which was then counted for 17. 2s. in England, should thenceforth be current only for



1*l.* 1*s.* 6*d.*; whereupon the parliament came to the resolution "that under the act 7 & 8 William 3. cap. 19. no person is obliged to take guineas at 1*l.* 2*s.* a piece," and the price immediately fell to 1*l.* 1*s.* 6*d.*, at which rate they were received by the officers of the revenue.

In the early part of 1698, bank notes for a short time were estimated lower than specie by about twenty per cent.; but in the latter part of the same year it appears they had so superseded the necessity for gold, that government was enabled to reduce the difference between gold and bank notes about 2½ per cent. It is true that the regulation, which effected this change, was professedly designed to adjust the value of gold and silver to each other; but whatever was its ostensible design, its effect was to lower gold in relation to the bank note, and to cause both gold and silver thenceforth to be valued by their relation to the pound sterling in credit currency.

It being an essential part of this new system that government should receive the bank note in payment of revenue uniformly as the pound sterling—whilst gold and silver were still subjected to the fluctuations arising from a natural or artificial contraction of the coin of England, and to the consequent variation in its relative value to the monies of foreign nations—the bank note now virtually became the acknowledged and only unchangeable representative of the pound sterling in English money.

A distinguishing characteristic of this new money system was, that it contained within itself the principle by which the circulating medium might be extended, without being any-ways dependent upon the produce of the mines. In former times, when the state borrowed money, it was borrowed in gold and silver, and to pay it back again *with interest* of course required not only the same amount of gold and silver which had been borrowed, but an additional amount proportionate to the interest; and if the state had not the means of



making the mines produce supplies equal to that additional amount, then it could not possibly repay the principal and interest of the debt. If the money were borrowed at an interest of eight or ten per cent. per annum, which rates were often exceeded, it could not pay even the interest alone for more than ten or twelve years, however honestly disposed the monarch might be. But now that the currency was made to derive its value, in the first instance, from the power which the state had to enforce the payment of taxes, and, in the second instance from the credit of a company of bankers and merchants, whose interest it was generally to act in concert with the state, and who gave their promise to pay the state, in exchange for its promise to refund when the taxes were paid; it only required that a fair understanding should be kept up between the government and the bankers, and that exchequer bills should be converted into government annuities, in order to provide for an almost unlimited extension of the system.

But as under this new system the bank was liable to sustain loss whenever the rate of exchange was such as to favour the exportation of the precious metals, so it became the policy of the government to aid the bank in guarding against such a contingency. This might be, and was, effected by gold being made to bear a higher relative value to silver in England than it possessed abroad, so that if specie were demanded of the bank, the directors having the option of paying in gold or silver, would of course make tender of the gold, which being of higher relative value to silver in England than abroad, could not be exported but with some degree of loss, and therefore would only be exported in cases of absolute necessity. By this means the bank note continued to hold a control over the gold. Hence, however, arose a gradually increasing difficulty. In consequence of gold being systematically made to bear a higher relative value to silver in England than abroad, profit was to be had by bringing the gold money of France and Spain to England, and taking the new and good silver

money of England back in lieu of it, and of course dealers were soon found to take advantage of the profit thus to be got between the home and the foreign market. The new silver coinage was in fact hardly completed before they began to drive a large trade in this way, which led, as we have already seen, to the reduction of the guinea from 1*l.* 2*s.* to 1*l.* 1*s.* 6*d.*, in the latter end of 1698. But notwithstanding this reduction in the English value of the guinea, in two years afterwards (that is, in 1700), Burnet says, the packet boat from France seldom came over with less than 10,000 louis d'ors in it; and at last such vast quantities of foreign gold were in the nation, that it was ordered by parliament that the louis d'or and Spanish pistole should not pay for more than 17*s.*, which ordinance caused between one and two millions to be brought to the mint to be coined into guineas.

This abundance of foreign gold in England was, at the time, foolishly supposed to proceed from French bribery, not only by the populace, but by some in higher stations; others considered it caused by the balance of foreign trade being so much in favour of England; but that it was properly attributable to the cause here assigned (*viz.* the exchange of new silver for it) needs no other proof than that so early as 1708, (only nine years after the completion of the new silver coinage), silver money had become so scarce in England, that it again became necessary to offer a premium for every ounce of foreign silver that should be brought into the English mint, and this notwithstanding there had, in the mean time, been some valuable captures of Spanish silver, from which was made the beautiful coinage of Queen Anne.

By means of this new mode of creating a circulating medium in England, money (or that which had all the properties of money) became so plentiful that, in 1713, government was enabled to borrow at a much reduced rate of interest, and to limit the legal rate of interest to five per cent. per annum; whereas fifteen years before, it will be re-



collected, that loans could not be had, even on exchequer bills, for less than 7*l.* 12. per cent. But though bank notes and gold were comparatively plentiful in England, silver money continued to grow scarcer. With a view to the remedying of this, the guinea was again reduced, in 1717, from 1*l.* 1*s.* 6*d.* to 1*l.* 1*s.* A writer, however, observes that even after this regulation the value of gold to silver was as one to fifteen and a fraction in England, whilst in France and Holland it was only 14½, and therefore it cannot be matter of surprise that the silver currency of England continued to decrease. It did so decrease, until at last people, from necessity, were glad to take inferior silver in small change, and this, by degrees, occasioned the current standard for silver money to be considerably below the legal standard; so that when current silver was put to the test, in the early part of George the Second's reign, it was found that the shilling averaged a deficiency of from six to eleven per cent., and the sixpences from eleven to twenty-two per cent. When necessity had habituated the people to the currency of this diminished silver, it then became profitable to buy with it the best of the English guineas, and so a scarcity of good guineas being created, the lighter, by degrees, obtained acceptance among the people; and soon so large a proportion of light guineas was in circulation as to cause considerable clamour in the nation, to allay which, in 1738, government was in great activity to discover the parties who, by filing and otherwise, had diminished the guineas.

Under these circumstances, had the bank been compelled to pay its notes, or the government to make good its engagements, in coin of full weight, at one time the silver, and at another time the gold, would have been such profitable articles of export, as to have left both the government and the bank destitute of resources. But the directors having the option to pay in current gold or silver, had only occasion to keep on hand a sufficient stock of legal but light



gold and silver, and they could, by tendering that which at the time was unprofitable for export, secure themselves. By this means it was possible, with an actual scarcity of both gold and silver of full weight, to keep the value of the metallic currency sufficiently below par, in relation to bank notes, as to preserve the bank from a run upon it.

Such was the system from which England derived its circulating medium for the first half of the eighteenth century. But the diminishing of the specific weight of the metallic money continuing to be progressive, the bank and the government at length found that if a stop were not put to it, the interest money of the one, and the revenue of the other would ultimately be seriously diminished. For however convenient it might be during this time for the bank to have the power of tendering legal but light money to those who demanded specie for notes, it is quite a mistaken notion to suppose that it can be at any time beneficial to that establishment to suffer the value of money to be decreased. The bank to employ its capital, must always have a much larger amount of engagements on credit due to it than from it; therefore the operation of any course of things, which goes to diminish the intrinsic worth, or the foreign value of the pound sterling, is a positive loss to the bank proprietors of so much upon the net balance of their engagements, whilst the operation of any alteration in the money system which increases the intrinsic value of the pound sterling, is in like degree a decided gain to them. For want of a right understanding on this point, the bank has been continually suspected of a desire to diminish the value of English money, not merely by common people, but by those who have had considerable knowledge in these matters imputed to them. Rightly understood, however, it is (as here stated) the interest of the bank to keep up the intrinsic value of money as much as possible. Agreeably to this, after the peace of Aix-la-Chapelle, measures were taken to prevent the further diminution of the coin;

and in 1750, it was publicly notified by the bank and excise, that they would not take any guineas that wanted six grains of their legal weight.

From this notice it is fair to infer that many of a lighter weight had found a ready circulation, and that now, if they were only five grains deficient, instead of six, they would be received by the bank and the excise at the same value as if they were full weight. Those persons, therefore, whose trade it was to make profit by diminishing metallic money to the lowest circulation standard, of course after this took care to extract from every guinea which came into their possession, whatever it possessed above the weight at which the bank and excise would take it. This notification gave a sort of legal sanction to a current gold coin considerably below the Mint standard, and rendered it impossible to obtain any new coinage of guineas.

Notwithstanding the objections to which this measure of the bank and excise was liable, it appears to have been the only step which could be taken in the first instance, to effect a restoration of the money. To preserve the credit of government, the measure was announced on the mere authority of the bank and the officers of the excise: it was even disclaimed by the government. Had the peace of Europe been then placed on any thing like a permanent footing, it is probable that this measure would have been followed up with others, in the same manner as it was twenty years afterwards, until gold had been restored to something near the legal standard; but the war that after this for some time threatened England, and which at length broke out in 1756, demanded such an increase of credit currency as could not fail to prevent any further steps being taken towards the restoration of gold coin. In the mean time silver money being left without restriction in its tendency to become diminished in weight, naturally grew worse and worse, until payments in guineas of considerably lighter weight than that fixed by the bank

and excise in 1750, were infinitely preferable to payments in silver, and before the war ceased, gold, silver, and copper monies are described as being in a more wretched condition than had ever been known in the recollection of that generation.

The war terminated in 1763, after having increased the national debt, in the seven years of its continuance, from 73 millions to 133 millions. With peace, the outcry became great for an improvement of the money. Its worthlessness was obvious to all, but the cost which would attend its improvement was little suspected ; and still less known to the public were the preliminary measures which were necessary to be adopted by the bank and the government before the restoration could be undertaken.

But popular as the project was with the bulk of the people, who seldom look beyond the first step in an argument ; and profitable as it was calculated to be to the bank, to the officers of state, and to all people in the receipt of fixed salaries or annuities ; it was not till 1773 that decided measures were taken for its accomplishment. The government having then liquidated all its pressing engagements, and having moreover redeemed about ten millions of the national debt, had no immediate need to avail itself of the credit of the bank ; and the bank, thus relieved from the calls of the government, having the power to restrain its issues, in consequence of which restraint the value of its notes in relation to gold would be enhanced ; the long wished-for object of restoring gold money to its standard weight was at length resolved to be carried into effect. Meanwhile, the commercial and manufacturing parts of the nation were involved in great distress, and private credit is described as having been brought to a very low ebb. Availing ourselves of the experience we have since had, it is obvious to us that these were the natural consequences of a contraction of the currency ; but at that time the people knew not how it was that ruin to a great extent was brought upon them.



The bank being now in a state of preparation for restoring the gold currency, the commissioners of the treasury issued an order, dated the 23rd of July 1773, limiting the weight at which guineas should be allowed to circulate, or be received in payment of taxes, &c. to the following scale :

	dwts.	grs.
Guineas coined prior to the reign of George III.	5	3
Ditto, ditto in the reign of George III., but before the 1st of January, 1772, - - - -	5	6
Ditto, ditto, on and subsequent to 1st Jan. 1772,	5	8

and smaller gold in proportion.

About a week afterwards the bank gave notice, at the request of the lords of the Treasury, that guineas under the above weights, in parcels not less than fifty guineas, would be taken in there on certain days, at the rate of 3*l.* 17*s.* 10½*d.* per oz. until further notice.

The above order, by creating an apprehension that the gold money, even according to the above scale, was about to be prohibited, was well calculated to bring it into the hands of the bank, and thus to provide government with the material for the new coinage.

It was arranged further that the bank should take in all guineas agreeing with the ordinance of the 23rd of July 1773, and exchange them for the new coinage ; the loss on the exchange to be defrayed out of the national revenue. Under these provisions the new coinage was carried into effect, and on the 24th of June 1774 such progress had been made that it was then ordered, by the king's proclamation, that the scale by which the circulation of guineas, half-guineas, &c. had been regulated on the 23rd of July 1773, should only continue in force until the 15th of July 1774; and that after the 15th of July 1774 the circulation of guineas should be restricted to the following scale :

	dwts.	grs.
Guineas bearing date prior to 1st Jan. 1772, -	5	6
Ditto dated subsequently to 31st Dec. 1771. -	5	8

All guineas of less weight than 5 dwts. 6 grs. were not to be allowed to pass in any payment except to the exchequer, to collectors of the revenue, or to the bank of England. The tellers of the Exchequer, the receivers of taxes, and the bank of England, were required to receive guineas, half-guineas, &c. according to the order of July 1773 until the 31st of August; twenty-one days more were allowed for receivers and collectors of taxes in England, and twenty-eight for those in Scotland, to pay their collections into the exchequer, and after that the circulation of gold money was to be entirely restricted to the rates prescribed in the notice of the 24th of June 1774. It was further notified that it was the intention of government to restrict the circulation of gold money to 5 dwts. 8 grs. to the guinea, as soon as it could be done.

This measure for the restriction of the gold currency had scarcely begun to be acted upon, before the silver currency was affected by it. On the issue of new coined guineas of full weight, a profit was to be had by the importation of the old silver coins of the realm, (which were now for the most part very greatly under the legal weight,) and the exportation of the new guineas in lieu thereof; and in consequence, during the first year of the issue of the new guineas, so great a quantity of old light silver found its way into the country, that laws were made for the seizure, if possible, of the silver so imported. It was also then enacted, that silver should not be a legal tender beyond the amount of 25*l.* in one payment, except by weight at 5*s.* 2*d.* per oz. The act which thus limited the legal tender of silver was only to be in force for two years at the first; but it was found convenient to re-enact it from time to time. At that period, however, the dropping of it altogether, when necessity no longer required it, was probably in contemplation.

The re-coinage of the gold was at length completed, but it cost the nation so much to effect it, that government did not at-

tempt the re-coinage of the silver. At the outset it was estimated that 250,000*l.* would cover the expense of restoring the gold currency to its proper weight ; but the direct loss, paid for to the bank, was upwards of 500,000*l.* and the indirect loss must have been very considerable. The nation was congratulated upon the little inconvenience it experienced by this re-coinage, but those who so congratulated it did not take into their account the quantity of suffering which was inflicted upon the commercial and manufacturing part of the community, whilst the bank and the government were making their preparations for the re-coinage ; and when it was completed, the effect was greatly to enhance all existing money engagements, to the ruin of many who had mortgages or debts to discharge, without at all securing the community from a recurrence of similar depreciations of the coin, of which, in a few years after this re-coinage of the gold, strong symptoms began again to manifest themselves.

We have before observed that the silver currency of England had become so diminished, either by wear or artifice, whilst performing the purposes of money in foreign countries, that a severe penalty was enacted against its re-importation, and that as a further guard against too great an amount in circulation, it was restricted as a legal tender to sums not exceeding 25*l.* at one time, except by weight. Our silver currency being in this state, it might have been thought that the nation was tolerably secure from any injury arising from the *exportation* of it ; but events proved otherwise. For the French having adopted a paper currency, under the name of assignats, it became their policy with these assignats to possess themselves as much as possible of our silver money, light as it was ; and it is stated that in the course of the year 1792 they succeeded in abstracting from England nearly three millions of ounces of our best silver, in exchange for this their paper money.

These assignats, as a paper and not a credit currency, were



distinguishable from our bank notes in this respect. The security of English bank notes rested primarily upon the credit of a company of wealthy merchants and bankers ; and, secondly, upon the government being pledged to receive them in payment of taxes, customs, &c.: whereas the security of French assignats rested simply upon the government being pledged to take them for taxes, &c. If, therefore, the party holding them had no taxes to pay, he was compelled to seek out for some one who had ; and if the amount in circulation exceeded the amount of taxes immediately payable, then, of course, the assignats would be at a discount, for there was no intermediate party pledged to the payment of them on demand. But the holder of a bank note, if he did not want to pay it in taxes, had a right to demand gold or silver for it from the bank of England ; this, at least, was the case until the passing of the bank restriction act, and even after that the party holding a bank note had cause to believe that the bank proprietors, for their own profit and security, would take care to make such engagements with the government as should secure the re-payment of the money at some time or other. Thus, in the case of the assignats, there was only one security, and that the security of a party upon whom there was no distraining ; in that of bank notes there were two securities, one of which (until the passing of the bank restriction act) was liable to be distrained upon. Although, therefore, it was not profitable to bring gold to England, to buy up our diminished silver, it was profitable to bring assignats for that purpose ; and, as already observed, nearly three millions of ounces of the best of our silver were taken into France by their instrumentality in the year 1792.

The abstraction of so much of our silver money was calculated to lead to similar consequences to those which had been experienced a century before from the like cause. The absence of the better silver opened a way for the ready circulation of that of inferior weight, and the facilities for circulating

this prepared for a further abstraction of the better part, either to be hoarded, or exported, or deteriorated. The bad harvest of 1795 added considerably to the rising difficulties, by causing metallic money to be sent out of the country for the purchase of corn. This excited some apprehension on the part of the directors of the bank of England, happening as it did at a time when the exigencies of the state were such, that the bank could not restrict its issues, and especially, as by the law then established, the bank had no longer the power to check any extraordinary demand for bullion by tendering the lighter coin of the realm to any amount. To meet the wants of government under these accumulating difficulties, the bank was under the necessity of contracting its usual accommodation to bankers, who, to meet their necessities, were obliged to sell out of the funds at such low prices, as caused the ruin of some of them. Their failures caused a fear to prevail, that the credit currency of England was about to share the fate which had recently befallen the paper currency of France, accomplishing the fulfilment of predictions to that effect which were then freely circulated in all directions; and though many affected to despise these fears, the number of those who chose to be *quite* safe by taking their guineas into their own custody, was such, that in defiance of all that the government could do, backed by the great capitalists of the nation, such a run was experienced by the bank of England in February 1797, as led the government to sanction the peremptory stoppage of further payments in cash. With the exception that this stoppage of cash payments on the part of the bank of England was sanctioned by an arbitrary though necessary act of the government, the bank of England would have been placed in precisely such circumstances as many most respectable private banking establishments were in at the latter end of 1825. The bank, like the proprietors of those private establishments, might possess abundance of excellent bonds, mortgages, and other securities. Its proprietors might have an absolute con-

trol over half the lands, public works, houses, manufactories goods, chattels, &c. of the kingdom, but not having got certain pieces of gold and silver, which the creditors had a right to demand of them (if, Shylock-like, they chose to exercise that right according to the strict letter of the contract) the bank of England must, but for the restriction-act, have been as completely broken up for want of gold, as those private banks were broken up for want of bank notes, when the precautions of the bank required that they should withdraw their notes from circulation. The restriction-act had, however, the properties of the philosopher's stone—the credit of the bank of England was made by law to stand in the place of gold, and the government again experienced the benefit of having a paper prop to lean upon.

In the year following the suspension, a new committee of council for coins was appointed, consisting of almost all the ministers of the state. They were to take the subject into their consideration, and to report their opinions to his Majesty in council. It is said of them, that they made some progress in their inquiries in this extensive and difficult subject, as it was called—that progress appears to have amounted to this :

With respect to gold, they requested two scientific gentlemen (Mr. Henry Cavendish and Mr. Hatchett) to answer such questions as, whether very soft and ductile gold, or gold made as hard as is compatible with the process of coining, suffers the most by wear; and whether coin, with a flat, smooth, and broad surface, suffers less from wear than coin which has certain protuberant parts raised above the ground : questions which had about as much to do with the case, as the question of boiling or baking has to do with filling the belly of a man who can get nothing either to boil or baker. With respect to the silver currency, they were no sooner appointed, than it is said they caused a large coinage of silver to be melted down, and restored to the state of bullion, having



probably discovered, from repeated experience, that it was in the course of nature for good new silver, if issued, to fall a prey to the old bad silver. But with respect to the copper, they boast that they had fixed the principles on which coin of that metal should in future be made, and that a certain quantity of coins, formed according to those established principles, had been sent into circulation very much to the satisfaction of his Majesty's subjects. This glorious termination to the labours of the committee of council for coins, reminds us of the copper farthings of Charles the Second, which, as Lord Lucas said, were, according to the inscription upon them, to vindicate the dominion of the four seas.

This grave trifling about the metallic currency, however, had its use, and probably the use which Mr. Pitt wished it to have—it served to pass the time on until the people found it possible to do almost without any coin; and these early proceedings may serve as a specimen of those which government generally adopted upon this topic, until the bullion committee was established in 1810.

From 1797 the circulating medium was left almost entirely to be provided for in a credit currency. The exchequer bills of government, and the promissory notes of the bank of England, furnished the medium through which the dividends were paid, and the supplies purchased, and also that in which the bulk of the revenue was collected. The credit of private individuals, many of them very wealthy, supplied a local currency by which manufacturers and farmers were furnished with means for paying rents, and carrying on the most extensive operations, in some such course as this. The manufacturer, for instance, having employed his capital in the production of a quantity of goods, sold them to the merchant or factor, upon whom he drew a bill for the amount, payable at a given time, say three months. The merchant accepted the bill payable at a banker's in London. The country banker, satisfied of the respectability of one or both the parties, risked his own

property upon it, and discounted this three months' bill with his own local notes, payable on demand. With those notes the manufacturer prepared another parcel of goods, without waiting till the original bill became due; for with these local notes he could pay his workman, and the workman could purchase with them the necessaries of life from the butcher, the baker, the grocer, the draper, &c. By these parties the notes were taken back to the banker, from whom it would often happen that some one of them received the manufacturer's draft, and with it was enabled to pay the wholesale trader in London. There the bill was met, when due, by the produce of the sale of the goods, or by the surplus capital of the merchant, or factor, or his banker, or not unfrequently, at the banker's clearing-house, by another bill from another part of the kingdom, which, after having run a similar career, operated as a set-off against it. Manchester and its neighbourhood formed some exception to this system. There it became the custom to allow interest at the rate of six per cent. per annum for bank of England notes, in the discount of bills; and this, together with the united opposition of almost all the principal merchants to local paper, confined the circulating medium of that district chiefly to bank of England paper. But of local notes in the other parts of England, and in Scotland, there were sufficient to sustain the circulation, so as to admit of nearly the whole amount of the issues of the bank of England being appropriated to the payment of taxes and other *government* transactions.

Thus was a local credit currency established in England, resembling in many respects that of which Scotland had long felt the benefit. By its instrumentality, and frequently without the intervention of a guinea, multitudes of people were productively employed, well fed, clothed, and lodged. Under its agency commons were cultivated, roads made or improved, canals cut, bridges built, docks constructed, machinery invented and brought into action, and public buildings, streets,

and towns sprang up, as if by magic, and the whole nation was as busy as a hive of bees.

The system, however, was too good in its effects not to be subjected to some serious drawbacks,—one of the chief of which was this: when through failing harvests, or through the necessity of supporting a large army abroad, or any other occasion, an extraordinary demand for bullion was created, the bank of England felt it prudent to check the issue of its notes in all cases where it could be done, and to withdraw those already in circulation by sales of exchequer bills. A scarcity of bank-notes being thus produced, funded property and the products of the manufacturers were forced upon the home and foreign markets, to provide those merchants, bankers, and manufacturers, who were trading at or near the full extent of their property and credit, with the means of meeting their engagements. On these emergencies parties were sometimes ruined, who perhaps a year before might be possessed of immense property; and their ruin frequently spread considerable loss through the whole of their connections. In the mean time the falling market, which the foregoing operation of the bank was sure to produce, effected a re-action in this way: when the price of English funds and English manufactures got down to what was thought to be the lowest pitch, the cautious capitalists, at home and abroad, then brought out their hoards, and withdrew from the markets the stocks on hand: prices then rose, accelerated generally by speculating, large profits for a time were realized, and all was brought round again; but not until great distress had been inflicted upon many persons. When the calamity arose from the cause here assigned, it is difficult to say where the blame ought to attach. Every man, however, is naturally disposed to censure the cause which comes nearest to himself; thus the tradesmen, who were generally the chief holders of the local notes, blamed the local banker; he blamed the manufacturer who had drawn, and the merchant who had ac-



cepted, the bills ; these parties blamed the London banker, or the bank of England ; and the bank of England, by the same rule, was entitled to blame the seasons or the government ; and the government to blame those political causes which made the war just and necessary.

In other cases mischief was produced by a much shorter route. Some men embarked in the banking business, who, though possessed of wealth, were destitute of the requisite judgment and caution for managing banking concerns. These persons not unfrequently brought ruin upon themselves, loss to some of their neighbours, and disrepute on the banking system. But in this case it is to be observed, that as the banker's property, though lost to him, was not annihilated, so the public, in relation to the banker, was a gainer, inasmuch as his property had passed to the public, taken in the aggregate.

Other banking concerns there were, managed by men, who, in the end, proved themselves to be arrant swindlers ; but this was more common in the early stages of the local currency system. Afterwards the facilities afforded for carrying in notes for the purpose of getting them exchanged, joined with moderate caution on the part of the people, prevented bankers of this character from getting out a sufficiency of notes to pay the costs of the adventure.

Another evil attending this system was the wretched state to which the metallic money was reduced. This must be too fresh in the recollection of every one who had connection with business during that period to render particular detail necessary. The guinea, though declared by law to be only 1*l.* 1*s.* sterling, did, on the principle of barter, actually represent at one time 1*l.* 9*s.* sterling. Many plain pieces of white money were tolerated in the circulation as shillings, which, according to the standard, were not worth more than from threepence to fivepence ; and even the established principles upon which the copper coinage had been made in 1798, were obliged to be departed from as early as 1805, in consequence of a sudden

rise in the price of copper ; and a new coinage of copper was obliged to be made upon some other *established* principles.

But this derangement of the metallic money did not essentially interfere with our foreign commerce. While the precious metals rated at a high value in England, the operation of a mercantile transaction was simply this.—The merchant purchased goods in England to the amount, say, of 100*l.* sterling ; for which, when due, he paid 100*l.* in bank notes. The goods being sent to Hamburgh, or some other foreign market, were sold, suppose for eighty guineas, or metallic money of the country equivalent thereto. These guineas being returned to England, where, at the time the market price of the guinea was, in relation to bank notes, 1*l.* 9*s.*, were sold to the bullionist or foreign banker after that rate ; and the merchant received for them 116*l.* in bank notes, realizing a profit of 16 per cent. on the transaction : then the bank notes were again sent to market to repeat the operation. Thus high nominal prices existed in England, and low nominal prices on the continent, and yet, in consequence of the different mediums, it was profitable to supply the foreign market from this country. For simplicity and clearness, the above transaction is stated as though the bullion were actually transmitted to England ; but it was seldom necessary that this should be the case. Bills on England were supplied by foreign bankers, who had connections in London, which being purchased on the spot, with the currency of each particular country, perfected the transaction as completely upon the above principles as if guineas had been actually sent across the water : this operation gives rise to what is called the course of exchange.

From time to time a good deal was said in parliament by individual members against this credit system ; but it was not until 1810 that any measures were adopted on the part of parliament likely to affect its vitality. In February of that year a committee was appointed, on the motion of Mr. Horner, for the

purpose of enquiring into the cause of the high price of bullion, and its effect on the value of the credit currency. This committee gave it as their opinion that the evil arose from the issue of bank of England notes being too great ;—that a general rise of all prices, a rise in the market price of gold, and a fall in the foreign exchanges, will always be the effect of an *undue* quantity of circulating medium in a country which has adopted a currency not exportable to other countries, or not convertible, at will, into a coin that is exportable ; and that no sufficient remedy for the present evil, or security against its recurrence existed, except in the repeal of the law which suspended cash payments. They were aware that some difficulties would attend the doing of this, but conceived that all hazards to the stability of the bank, and all injury to public credit, might be obviated by restricting cash payments for two years longer, and by intrusting to the bank itself the charge of conducting and completing the operation.

Before the next session of parliament the commercial distresses of the nation had become so great, that parliament then deemed it necessary to authorize six millions to be advanced to merchants, on their giving sufficient security ; but such was the fall in the value of mercantile property, that it was not many who could give the adequate security, and the Gazette teemed with bankrupts. Whether this great distress was at all brought about by the bank making preparation for the return of cash payments, as recommended by the bullion committee, or whether it was wholly attributable to the American embargo, or the Berlin and Milan decrees, there may be some difficulty in determining ; but experience has repeatedly shewn, since that time, that the bank has never made preparation for a return to cash payments without the most disastrous consequences to the country.

The Report of the Bullion Committee was brought before the House in May 1811. On the part of the Committee, it was contended, that the standard value of gold, as a measure



of exchange, could not possibly fluctuate under any change of circumstances, though its real price was unquestionably subject to all the variations arising from the increase or diminution of the supply; and that bank paper measured by this standard was depreciated.

The bullionists were opposed by Mr. Vansittart, on the part of the ministry, who moved a number of counter resolutions, in which it was declared, that bank notes were not depreciated; that the political and commercial relations of England with foreign states were sufficient to account for the unfavourable state of the foreign exchanges, and the high price of bullion. The argument turned upon this, whether the variation which had arisen in the usual rate of guineas to bank notes, ought to be attributed to guineas being enhanced, or to bank notes being depreciated. If the parties could or would have agreed upon some third measure of value as a test, the question might have been determined in a few words.—Thus, make the mode by which the value of the national debt was estimated, and the dividends payable, the test, and the bank note was not depreciated, but the guinea raised. On the other hand, according to the laws of barter, by which all mercantile transactions are regulated, make corn or silver, or any other article in general demand, the test, and it would be found that the guinea was not enhanced, but that the bank note was depreciated. But it suited not the contending parties to agree upon a test, and therefore, after a discussion, which was but ringing changes upon words, and which engaged the House of Commons seven nights, the strength of the ministry prevailed; and it was resolved that the bank note was not depreciated, but that it was highly important the restrictions on cash payments at the bank should be removed, whenever it was compatible with the public interest; and that to fix a definite period earlier than that of six months after the conclusion of peace, which term

was that already fixed, would be highly inexpedient and dangerous.

After this Lord King took another mode of trying the question: he reminded his tenants that they had agreed to pay their rents in good and lawful money of Great Britain; and as he would no longer accept of bank notes at their nominal value, he called upon them to pay either in guineas, or in an equivalent weight of Portuguese gold coin, or in bank notes sufficient to purchase at the existing market price the worth of as much standard gold as would discharge the rents. This called forth a law, at the suggestion of Lord Stanhope, for preventing the current gold coin of the realm from being paid at more than its value, and for preventing bank notes from being received for any smaller sum than that for which they were issued. From this period to the termination of the war, the credit currency system received no further interruption from the measures of parliament.

As the bank of England, by the laws in force, was liable to pay its notes in demand in cash within six months after peace was established; no sooner was there a fair prospect of that event, than the bank, it may be presumed, wisely prepared itself for the claims that awaited it. Much assistance was no doubt afforded it in doing this, by the disposition which now prevailed to invest capital in the British funds from all parts of the world. As the certainty of peace became greater, gold continued to accumulate in England, so that the bank of England was enabled, in October 1814, to reduce the value of gold, in relation to bank notes, to 4*l.* 5*s.* per ounce.

So far it is probable the bank merely submitted to circumstances which originated in the natural course of mercantile proceedings, and did not at all attempt to govern those circumstances; but after this, whether it was that some suspicion began to arise among the bullionists that Buonaparte might yet involve England again in war, or that

Buonaparte himself was drawing resources out of the English funds by the instrumentality of agents, or whether the influx of gold into England had left the foreign market too scantily supplied, and that the tide began to ebb in the natural course of trade, it is not easy to say; but from some cause or other, before the conclusion of the year, gold had manifested a disposition again to advance, and on the 3rd of January 1815, it is quoted at 4*l.* 6*s.* 6*d.* per ounce. Then no doubt the bank began to feel the necessity of doing all that it could to restrict its issues. In the month of February 1815, according to the printed tables, the amount of notes of the bank of England in circulation were 2,300,000 less than they had been in the August preceding. The re-appearance of Buonaparte in France early in March, admitted not of the bank of England pursuing this prudential conduct, and the mercantile value of gold was again so enhanced in relation to the bank note or pound sterling, that on the 2nd of May its price is quoted at 5*l.* 6*s.* per ounce. It is difficult to conceive a finer field for speculation than this period was calculated to afford those who had access to the earliest information, and means of taking advantage of it. After the decisive battle of Waterloo, the course of exchange against England rapidly declined, and a bill being passed to continue the restriction of cash payments until the 5th of July 1816, the bank was again furnished with means and time for reducing the mercantile value of gold in relation to its own notes. In January, 1816, gold was brought down to 4*l.* 2*s.* per ounce. In February the amount of bank notes in circulation, it appears, was nearly one million less than it was in February the preceding year, which was just before the news arrived of Buonaparte's escape from Elba. By the month of May the price of gold had become further reduced to 4*l.* per ounce. But the contraction of the credit currency by which this reduction was attained, now produced very great distress among the people of England, and



especially among those of the middle and lower ranks of society, whether engaged in agriculture, manufactures or trade: first by rendering money scarce at home, and so forcing down prices, whilst rents, taxes, and all existing engagements, were numerically at their old amount; and, secondly, by drawing the metallic money from other countries, and so distressing them and crippling our foreign trade.

Little suspecting how much the contraction of the currency had to do with their distress, the agriculturists sought relief by proposing enactments against the importation of foreign corn. Men engaged in manufactures and trade opposed those enactments, and sought relief by petitioning parliament for a remission of taxation. The working class in the agricultural districts attributing their reduced wages and lack of employment, not to the want of money on the part of their masters, but to the employment of thrashing-machines, and other substitutes for human labour, assembled in tumultuous bands to destroy them. The working manufacturers partaking of the same feeling with respect to any machinery newly adopted by their employers, for some time carried on in secret a system of destruction, to which not only machinery, but human life, was frequently sacrificed.

In the spring of 1816, whilst these troubles were in progress, the restriction on cash payments was further extended from July 1816 to July 1818, and a bill was passed for a new silver coinage. By this coinage the pound weight of silver was ordered to make 3*l.* 6*s.* sterling. This was four shillings in the pound weight lighter than the former legal standard, but of course an infinite improvement upon the current standard. On this further extension of the restriction-act, the bank appears to have given more expansion to its issues, but not to have relaxed its efforts to be prepared for the resumption of cash payments, for in October the price of gold was further lowered to 3*l.* 19*s.* per ounce.

In January 1817, the bank gave notice that they were ready

to pay in cash a certain description of their outstanding notes, by which they rendered themselves liable to a demand of about a million of pounds sterling; but it appears that only a very small part of that sum was called for. In June, that year, the chancellor of the exchequer stated, that nothing less than an extraordinary political or commercial shock would prevent payments in cash from taking place in July 1818, as already fixed. Certainly, if the bank had felt themselves called upon at all hazards to adopt cash payments immediately, it would, so far as the directors were concerned, have been no difficult task; for, by somewhat restricting their issues, it would have been very easy for them to have brought gold below par; but great additional distress must in that case have fallen upon the community: that is to say, the bank directors withdrawing a million of their notes from circulation, would have prevented a great number of merchants from fulfilling their money engagements without forcing their stocks unnaturally upon the market, their doing which would have depressed prices, and crippled manufacturers; that again would have thrown workmen out of employ, or would have compelled them to work for reduced wages; and so, in the end, by giving our products to foreign countries at half or two-thirds of their cost price, the million of notes withdrawn by the bank would at length have been supplied by bullion thus unnaturally forced from surrounding nations. But instead of this, the bank appears to have been as solicitous to avoid an over-contraction of its issues as to effect the resumption of cash payments; and it is only justice to that establishment to infer that they were truly desirous to effect this resumption, from the offer which they had already voluntarily made, and which they further extended in October 1817. In that month, notice was given that they would pay in cash all notes dated prior to 1817.

But in the progress of these events, the distress of the people for want of employment became so great, that it was felt to be quite as important to the public welfare, to provide means



whereby the people might get bank-notes for their labour, and food for their bank-notes, as to afford them an opportunity of getting gold for bank-notes, which notes they had not the means of obtaining. In furtherance of this, in 1817 and 1818, no pains were spared to excite the wealthy to the free expenditure of their incomes, and in numerous cases they complied without any regard to a profitable return upon such expenditure. The bank of England also, which was thought by many to have been too vigorous in its preparations to return to cash payments, was called upon to extend its issues: and in the early part of 1818, parliament granted one million of pounds to be raised by exchequer-bills for the purpose of building new churches where the increased population was thought to require them. It is but justice to believe that the same principle which prompted the bank voluntarily to adopt cash payments sooner than the time fixed, led them now to extend their issues when required to do so by the government. In such a case, and under such circumstances, they were entitled to expect the protection of government in the event of any attack upon the interests of the bank, and through it upon the interests of the people, which might arise from speculations in bullion, or from the money arrangements of foreign states. For the natural supplies of the home circulation, their recent experience (*viz.* the non-acceptance of their offer to pay in bullion to the extent of one million of pounds) justified them in thinking there would arise no extraordinary demand. From these and the like circumstances, credit capital began freely to assume the character of credit currency, and the national distress was in a fair way of being removed; but scarcely had the working people begun to experience an improvement in their condition, before it was found that the gold was rapidly leaving the kingdom. Various causes were assigned for this; such as large remittances to foreign countries for corn, rendered necessary, as it was said, by the failure of the preceding year's crop in England—the migration of



Englishmen to the continent, and the negotiation of a large French loan in England. Whatever the cause might be, the chancellor of the exchequer found it necessary, before the close of the session in 1818, to state to parliament the fact, that the bank had been called upon for upwards of two millions and a half of gold under their notice of October 1817, and, therefore, that it was not advisable for the bank finally to resume cash payments in July 1818, as had been intended; and in consequence of this communication, the bank restriction act was agreed to be continued until the 5th of July, 1819.

Throughout these proceedings, the conduct of the bank directors appears to have been dictated by an anxious desire to meet the wishes of the representatives of the public; but they found them a fastidious body to please. The bank continued to pay in cash, agreeably to their notice of October 1817.

In February 1819, a committee was appointed by parliament to inquire into the state of the bank of England, with reference to the expediency of the resumption of cash payments at the fixed time, viz. July 5, 1819.

On the 24th of March, prior to the presentation of the first report of the Bullion Committee, the bank directors were asked by the Lords' Committee, "whether they had any, or what objection to urge against the passing a law to require the bank to pay its notes in bullion on demand, but in sums not less in amount than one, two, or three hundred pounds, at 3*l.* 17*s.* 10½*d.* per ounce, and to buy gold bullion at 3*l.* 17*s.* 6*d.* per ounce, by an issue of its notes." The substance of the reply on the part of the bank was, that "the directors were not aware of any difficulty in exchanging notes for bullion of a certain weight, provided it were melted, assayed, and stamped by his Majesty's mint, but that they doubted the attainment of bullion by the bank at 3*l.* 17*s.* 6*d.*, and that, therefore, the directors did not feel themselves competent to engage to issue bullion at 3*l.* 17*s.* 10½*d.* per ounce,

under all circumstances ; but as an alternative, they suggested the expediency of the bank furnishing bullion to the extent stated, *at the market price, as taken on the preceding foreign post-day*, in exchange for its notes, a reasonable time being allowed for the bank to prepare itself to try the effect of such a measure."

On the 5th of April, Mr. Peel brought up the first report of the Bullion Committee.—That report represented that the bank had been drained of upwards of five millions in cash, under its notice of October 1817, which cash, it was stated, had found its way to the continent, and had been there re-coined into foreign money.\* To check this, and to enable the bank to accumulate a greater quantity of bullion with a view to the final resumption of cash payments, it was proposed that a bill should immediately be passed by parliament to restrain the bank from any further payment of the notes alluded to in the above notice. A bill to this effect did accordingly pass the Commons that night, and next night it passed the House of Lords. And thus terminated the second attempt which the bank made for the resumption of cash payments.

The second report of the committee was brought before the House on the 5th of May. Agreeably to the suggestions of that report, the following plan for the return to cash payments was established by law.

Provision was to be made for the gradual repayment of the sum of ten millions of pounds, being part of the sum due to the bank on account of advances for the public service.

From February 1, 1820, the bank was to deliver on demand gold of standard fineness, having been assayed and stamped at the mint, in exchange for notes, at the rate of 4*l.* 1*s.* per oz. ; but not to be liable to a demand for a less quantity than sixty ounces at a time.

\* From Jan. 1, 1817, to Jan. 1, 1819, the bank it appears was called upon for £6,756,000.

From October 1, 1820, the bank should be required to deliver gold upon the same plan, at the rate of 3*l.* 19*s.* 6*d.* per oz. And from May 1, 1821, (on the like plan) at 3*l.* 17*s.* 10½*d.*

The bank was to be allowed to anticipate each of the above periods; but any of the intermediate rates being once fixed, the bank was not to avail itself again of the prescribed scale.

From May 1, 1823, the bank was to pay its notes on demand in the legal coin of the realm.

It was also deemed expedient to repeal the laws by which the melting and exportation of the coin were prohibited.

The bill, by which the above mode for restoring cash payments was established, was brought before the house by Mr. Peel, and has since been well known by its connection with his name. One of the most remarkable circumstances attending the enactment of this measure, was that Sir Robert Peel was as conscientiously and decidedly opposed to it as his son was in its favour. The bank of England being sounded as to its approval or disapproval of this measure, the experienced directors of that establishment, aware of the difficulties which would be brought upon the country by the measures which that bill would imperatively impose on them, submitted the subjoined representation to the chancellor of the exchequer.

“The directors of the bank of England, having taken into their most serious consideration the reports of the secret committees of the two houses of Parliament, appointed to inquire into the state of the bank of England, with reference to the expediency of the resumption of cash payments at the period now fixed,—have thought it their duty to lay before His Majesty’s ministers, as early as possible, their sentiments, with regard to the measures suggested by these committees for the approbation of Parliament.

“In the first place it appears, that, in the view of the committees, the measure of the bank recommencing cash payments on the 5th of July next, the time prescribed by the existing law, “is utterly impracticable, and would be entirely inefficient, if not ruinous.”

“Secondly, it appears that the two committees have come to their



conclusion at a period, when the outstanding notes of the bank of England do not much exceed 25,000,000*l.*; when the price of gold is about 4*l.* 1*s.* per ounce; and when there is great distress, from the stagnation of commerce, and the fall of prices of imported articles.

“It must be obvious to his Majesty’s ministers, that, as long as such a state of things shall last, or one in any degree similar, without either considerable improvement on one side, or growing worse on the other, the bank, acting as it does at present, and keeping its issues nearly at the present level, could not venture to return to cash payments, with any probability of benefit to the public, or safety to the establishment.

“The two committees of parliament, apparently actuated by this consideration, have advised that the bank shall not open payments in coin for a period of four years, but shall be obliged, from the 1st of May, 1821, to discharge their notes in standard gold bullion, at mint price, when demanded in sums not amounting to less than thirty ounces. And, as it appears to the committees expedient, that this return to payments at mint price should be made gradually, they propose that on the first day of February next, the bank should pay their notes in bullion, if demanded in sums not less than sixty ounces, at the rate of 4*l.* 1*s.* an ounce, and from the 1st of October, 1820, to the 1st of May following, at 3*l.* 19*s.* 6*d.* an ounce.

“If the directors of the bank have a true comprehension of the views of the committees in submitting this scheme to parliament, they are obliged to infer, that the object of the committees is to secure, at every hazard, and under every possible variation of circumstances, the return of payments in gold at mint price for bank notes, at the expiration of two years; and that this measure is so to be managed, that the mint price denominations shall ever afterwards be preserved, leaving the market or exchange price of gold to be controlled by the bank, solely by the amount of their issues of notes.

“It further appears to the directors, with regard to the final execution of this plan, and the payment of bank notes in gold at mint price, that discretionary power is to be taken away from the bank; and that it is merely to regulate its issues, and make purchases of gold, so as to be enabled to answer all possible demands, whenever its treasury shall be again open for the payment of its notes.

“Under these impressions, the directors of the bank think it right to observe to his Majesty’s ministers, that being engaged to pay on demand their notes in statutable coin, at the mint price of 3*l.* 17*s.* 10½*d.* an ounce, they ought to be the last persons who should object to any

measure calculated to effect that end ; but as it is incumbent on them to consider the effect of any measure to be adopted, as operating upon the general issue of their notes, by which all the private banks are regulated, and of which the whole currency, exclusive of the notes of private bankers, is composed, they feel themselves obliged, by the new situation in which they have been placed by the Restriction Act of 1797, to bear in mind, not less their duties to the community at large, whose interest in a pecuniary and commercial relation, have in a great degree been confided to their discretion.

“The directors being thus obliged to extend their views, and embrace the interest of the whole community, in their consideration of this measure, cannot but feel a repugnance, however involuntary, to pledge themselves in approbation of a system, which in their opinion, in all its great tendencies and operations, concerns the country in general more than the immediate interests of the bank alone.

“It is not certainly a part of the regular duty of the bank, under its original institution, to enter into the general views of policy, by which this great empire is to be governed, in all its commercial and pecuniary transactions, which exclusively belong to the administration, to Parliament, and to the community at large ; nor is it the province of the bank to expound the principles by which these views ought to be regulated. Its peculiar and appropriate duty is the management of the concerns of the banking establishment, as connected with the payment of the interest of the national debt, the lodgments consigned to its care, and the ordinary advances it has been accustomed to make to government.

“But when the directors are now to be called upon, in the new situation in which they are placed by the Restriction Act, to procure a fund for supporting the whole national currency, either in bullion or in coin, and when it is proposed that they should effect this measure within a given period, by regulating the market price of gold by a limitation of the amount of the issue of bank notes, with whatever distress such limitation may be attended to individuals, or the community at large ; they feel it their bounden and imperious duty to state their sentiments thus explicitly, in the first instance to his Majesty’s ministers, on this subject, that a tacit consent and concurrence at this juncture may not, at some future period, be construed into a previous implied sanction on their part, of a system, which they cannot but consider fraught with very great uncertainty and risk.

It is impossible for them to decide beforehand what shall be the course of events for the next two, much less for the next four years ; they have



no right to hazard a flattering conjecture, for which they have not real grounds, in which they may be disappointed, and for which they may be considered responsible. They cannot venture to advise an unrelenting continuance of pecuniary pressures upon the commercial world, of which it is impossible for them either to foresee or estimate the consequences.

“The directors have already submitted to the House of Lords the expediency of the bank paying its notes in bullion at the market price of the day, with a view of seeing how far favourable commercial balances may operate in restoring the former order of things, of which they might take advantage: and with a similar view they have proposed, that government should repay the bank a considerable part of the sums that have been advanced upon exchequer bills.

“These two measures would allow time for a correct judgment to be formed upon the state of the bullion market, and upon the real result of those changes, which the late war may have produced, in all its consequences, of increased public debt, increased taxes, increased prices, and altered relations, as to interest, capital, and commercial dealings with the Continent; and how far the alterations thus produced are temporary or permanent; and to what extent, and in what degree, they operate.

“It was the design of the directors, in pursuance of the before-mentioned two measures, to take advantage of every circumstance which could enable the bank to extend its purchases of bullion, as far as a legitimate consideration of the ordinary wants of the nation, for a sufficient currency, could possibly warrant. Beyond this point, they do not consider themselves justified in going, upon any opinion, conjecture, or speculation, merely their own; and when a system is recommended, which seems to take away from the bank any thing like a discretionary consideration of the necessities and distresses of the commercial world; if the directors withhold their previous consent, it is not from a want of deference to his Majesty’s government, or to the opinions of the committees of the two houses of Parliament, but solely from a serious feeling, that they have no right whatever to invest themselves, of their own accord, with the responsibility of countenancing a measure, in which the whole community is so deeply involved; and possibly to compromise the universal interests of the empire, in all the relations of agriculture, manufacture, commerce, and revenue, by a seeming acquiescence, or declared approbation, on the part of the directors of the bank of England.

“The consideration of these great questions, and of the degree in which



all these leading and commanding interests may be affected by the measure proposed, rests with the legislature; and it is for them, after solemn deliberation, and not for the bank, to determine and decide upon the course to be adopted.

“Whatever reflections may have from time to time been cast upon the bank, whatever invidious representations of its conduct may have been made, the cautious conduct it adopted, in so measuring the amount of currency, as to make it adequate to the wants both of the nation and of the government; at the same time keeping it within reasonable bounds, when compared with what existed before the war, as is shown in the Lords’ Reports, pages 10, 11, 12 and 13; the recent effort to return to a system of cash payments, which commenced with the fairest prospects (but which was afterwards frustrated by events that could not be foreseen nor controlled by the bank;) are of themselves a sufficient refutation of all the obloquy, which has been so undeservedly heaped upon the establishment.

“The directors of the bank of England, in submitting these considerations to his Majesty’s ministers, request that they may be allowed to assure them, that it is always their anxious desire, as far as depends upon them, to aid, by every consistent means, the measures of the legislature, for furthering the prosperity of the empire.

“ROBERT BEST, SEC.”

Unfortunately for the people of England, the bank directors had but little credit given to them for disinterestedness, in any suggestions which proceeded from them. And therefore, notwithstanding this representation, Mr. Peel’s bill, for accomplishing cash payments, received the general approval of parliament. But the bill was no sooner passed than its malignant consequences began to be felt. On the authority of some monied men, it had been thought by parliament that the difference between the existing market price of gold, viz. 4*l.* 1*s.* per oz., and that to which the progressive operation of the bill would bring it, viz. 3*l.* 17*s.* 10½*d.* per oz. (being about three and three-quarters per cent.) would constitute the whole of the declension in the price of goods which would arise from its operation. Facts, so notorious as to be within the recollection of every person connected with trade, agricul-

ture or money, very soon proved how miserably mistaken they were who made this calculation. At the very time when three millions of fresh taxes were obliged to be levied upon the people, to enable government to pay its debt for the late advances, the prices of all kinds of commodities, whether the produce of agriculture or manufacture, came tumbling down, until, in a short time, it was a rare thing to realize 75*l.* for that which had been worth 100*l.* Wages for labour of all kinds experienced a similar fall. In the mean time, as the government dividends were now fixed to be paid in gold, at 3*l.* 17*s.* 10½*d.* per oz. after the 1st of May 1821, and in legal coin after the 1st of May, 1823, stocks continued gradually to advance, which, inducing investments from abroad, furnished the bank, by natural means, with the opportunity of accumulating in its coffers an ample store of the precious metals; but this was attended with the impoverishment of neighbouring states, which were distressed for want of their usual currency. And though the export of British manufactures increased, yet for want of currency abroad, prices were continually on the decline.

There can be no occasion for surprise, that under such circumstances a spirit of discontent should have been again aroused throughout the nation. It manifested itself under two distinct characters, viz. that of Luddism, or a systematic plan to destroy whatever new machinery was introduced; and that of immense political meetings, the alleged purpose of which was to obtain a reform in parliament. It must be confessed that the mode of raising the last three millions of taxes, was such as to furnish the leaders of those political meetings with very popular subjects for declamation; for instead of the money being at once raised from property, a large portion of it was drawn, in the first instance, from additional duties on tobacco, tea, and coffee, the little luxuries and comforts of the working classes. At other times, and under better circumstances, this would have passed unnoticed by

them ; but coming at a time when the operation of the money system was such as to deprive them of a large portion of their wages, the enhancement of the price of these articles by taxation was almost more than they could bear peacefully : at all events, it was enough to make them lend a willing ear to those mischievous and disaffected persons, who in secret stimulated them to destroy machinery, as a means of raising their own wages ; and at public meetings told them the new taxes had fallen upon the few comforts of the common people, because their interests had not a fair representation in parliament.

In the face of the difficulties which were overwhelming all classes of the people of England, and which were gradually extending themselves from the lowest extremities of the body politic to the greatest interests in the state, the measures of Mr. Peel's bill were persevered in ; and the bank of England, in proof of its willingness to do what it could to meet the wishes of parliament and of the advocates for cash payments, finding itself in possession of sufficient gold, from the causes already assigned, to make payments in cash sooner than the law prescribed, obtained an act by which it was made imperative upon them to pay all demands in the legal coin of the realm on the 1st of May 1822, instead of the 1st of May 1823. This being the end at which Mr. Peel's bill aimed, the attainment of it one year sooner than the bill anticipated, was thought a great national benefit ; but in the next year it was made a charge against the bank that they had increased the distress by attaining the end too soon. However, such was the languid state to which trade and agriculture were reduced, when it was attained ; so tardily did gold fulfil the purposes of the circulation ; that before it could reach the landlords on their half yearly rent-days, the tax collector, the poor rates, and the daily outgoings of the farm, had, in many instances, absorbed the whole of it.

Many strange arguments were adduced to explain the cause



of the evils thus felt by all classes. The spirit of the Ludites, and of those in the Isle of Ely who some time before had been hanged for destroying corn stacks, seemed to have been caught up by some persons in the higher classes of society, if we may be allowed to judge of the spirit of men by their words. For in the latter end of 1821, and the early part of 1822, one of the most popular modes of accounting for the national distress was, to attribute it to the extraordinary productiveness which it had pleased heaven for some years to confer, not only upon the land of England, but upon that of the surrounding countries. Mr. Ricardo introduced this doctrine in his pamphlet "On Protection to Agriculture." After stating in general terms the effect of twenty-one millions of quarters of corn being produced in a country in one year, when fourteen millions were enough for the consumption, he proceeds as follows: "This is I think, certain, that the aggregate value of an abundant crop of corn will always be considerably less than the aggregate value of an average one: and that the aggregate value of a very limited crop will be considerably greater than that of an average crop. If (says he,) 100,000 loaves were sold every day in London, and the supply should all at once be reduced to 50,000 per day, can any one doubt but that the price of each loaf would be considerably more than doubled? The rich would continue to consume precisely the same number of loaves, although the price was tripled or quadrupled. If, on the other hand, 200,000 loaves, instead of 100,000, were daily exposed for sale, could they be disposed of without a fall of price, far exceeding the proportion of the excess quantity? Why (continues Mr. R.) is water without value, but because of its abundance? If corn were equally plenty, it would have no greater value, whatever quantity of labour might have been bestowed on its production." See p.19.

Substitute, for loaves in the preceding paragraph, sheep, oxen, webs of cloth, hats, stockings, or shoes, in fact, any

other article the supply of which is essential to the comforts of a people ; and by parity of reasoning it follows, that the greater the aggregate quantity, the less will be its aggregate value.

The remedy suggested for curing the national distress, by those who attributed it to the excessive production of the earth, was somewhat more slow than that adopted by the Ely rioters in 1816 ; but it was calculated, had it been acted upon, to become infinitely more operative.

It was stated that mean soils had been made productive at too great cost of capital ; that the check on the value of produce was salutary ; and that the only remedy for it was to suffer those lands, which did not yield a profit at existing prices, to go back into a state of barrenness. Had this remedy been promptly applied, so little land was there at that time which did yield a profit, that we should presently have seen famines return upon us like those of the 12th, 13th, and 14th centuries, when the people were glad to eat hogs' wash, or one another. No one can say how far this ridiculous doctrine of over-production might have extended amongst those who value things merely by the money they will bring, if people had not been called to their senses by the cry of famine from Ireland, almost at the same moment that the foregoing sentiments were receiving the cheers of the British parliament. From that time superabundance of food ceased to be talked of ; and those columns in the newspapers, which one week were occupied by parliamentary speeches, attributing the national distress to over-production, were the next filled with long lists of subscriptions for the poor Irish, who, it now appeared, to pay the debt of the day, had been obliged to sell their provisions for the morrow, and were actually starving for want of food ; thus affording a specimen of the plan upon which many English farmers were soon after obliged to act.

Another class of political economists were for abrogating



the poor-laws altogether, arguing in something like this strain : that if poor people were not born, they could not be starved to death ; and if there were no poor-laws, poor people would not marry, and poor children would not be born : such a luxury as a poor-house, or a parish maintenance of from three to five shillings a week, operates as a premium to induce poor people to marry, and to beget children who shall also inherit this parish affluence. Starvation having at this time arisen in that part of the British dominions where there were no poor-laws, might, one would hope, satisfy this class of political economists of their error.

No sooner had the nation attained the ultimate perfection of a return to cash payments, than the lack of rents for the rich, and of food for the poor, became two such crying evils, that a willing ear was again lent by parliament to the advocates of the credit currency ; and in about two months after the bank was ready to pay all demands upon it in coin, and had voluntarily subjected itself, by law, to the doing so, another act was passed, by which the government sanctioned the circulation of small local notes until 1833, at which time the charter of the bank of England was to expire.

At that time, so deeply impressed was the author of these remarks with a sense of the evils to be apprehended from the terms on which the act of 1819 required all transactions on credit to be liquidated, that in March 1823, he submitted his opinions upon the subject to several gentlemen assembled for the purpose, at a public meeting. His opinions, as set forth in the subjoined address, received the general sanction of that meeting, after he had answered some questions which were put to him, relative to the effect which his proposition was calculated to have upon our foreign trade ; for the satisfactory answering of which questions he was much indebted to the experimental knowledge of a gentleman present, who had for several years been successfully engaged in mercantile life at Liverpool, but who had then retired from it, and was, at the



time in question, High Sheriff of the county in which the address was delivered.

“SIR,

14 March, 1823.

“Aware of the intricacy of that subject which we are here met to take into consideration, and of the impossibility of doing justice to the enquiry by any verbal representation, I have committed to writing those opinions which I entertain, and which I now beg to submit to the judgment of yourself and the gentlemen present. Local or peculiar circumstances may exempt us who are here, and many other individuals, from the immediate or fatal pressure of the present times ; but however this may be, I apprehend that only one impression prevails among ourselves, and generally throughout the kingdom, that the country is at presently greatly distressed, and that the inability on the part of the community to fulfil their pecuniary engagements is daily increasing. It is, I believe, a conviction widely spreading (my own conviction it has long been) that the distress is not attributable to any redundancy of produce in the country, nor to any want of internal trade, or of sufficiently extensive commerce ; but that it is attributable mainly to the altered state of the national currency : and great as I believe the evil arising from this circumstance already is, I am of opinion, that our present cash laws (when the time shall come for them to be fully acted upon) *are liable to produce far greater inconvenience and distress to the country than it has yet experienced*. But I also believe, that those laws admit of an easy correction, and further conceive, that such correction may be given them as shall perpetuate all the benefits of a metallic currency, while at the same time it guards us from a great evil which is to be apprehended from the present system.

The evil to which allusion is here made, and to which I beg to direct the attention of this meeting, arises from the possibility of the currency of the realm, as it now stands, being monopolized by a few monied individuals for private gain. This will appear no unreasonable ground of alarm, when it is recollected, that the necessities of the state alone require that about 50 millions of pounds sterling should annually be collected from the people ; that each of those pounds requires 5 dwts. 3 grains of gold to represent it ; and that estimating the quantity of our gold currency at the utmost extent (which quantity it has cost England many sacrifices, and all the years since the peace to obtain) it would barely be equal to the pay-

ment of taxes alone for the half of one year.\* When these things are recollected, it will appear not unlikely that a few monied individuals, by employing their capitals in monopolizing the gold, may very soon cause it to bear a premium in relation to notes; and if that premium were only one penny in the sovereign, it would be sufficient to make the whole of that gold, which ought to be in circulation, immediately become dormant, and not to be had except as a mercantile commodity, which would, of course, still farther enhance the premium. An universal run upon all the issuers of promissory notes on demand would then be the immediate result; for no one would keep a note by him, if he could demand a sovereign for it, which sovereign bore a premium over and above the value of the note; and, by consequence, no banker would be so unwise as to give out his promissory notes for any thing besides sovereigns (and for sovereigns nobody would want them) because, on the morrow, he might be required to give a sovereign for each note, which sovereign it would cost him a premium to obtain. With a currency thus contracted, the price of every commodity, whether house, land, food, or clothing, must of necessity be proportionally contracted. Under the present cash laws, therefore, it is not only very possible that a monopoly of the currency may take place; but, when the speculative character of our countrymen, and the immense capitals which many of them are able to command, are duly considered, I apprehend that a monopoly of the currency must be considered a very probable occurrence. And if a monopoly of any one of the necessities of life be an evil greatly to be deprecated, how great will be the evil of a monopoly of that, to which power is given to control all the necessities and comforts of life. I am aware it may be said, that when things come this pass, recourse may be had to another bank restriction act. True; but before this could be done, many individuals would be ruined, and others greatly injured; and when this remedy was at length obtained, it would find, and leave us, suffering under the mortification of knowing, that the experience of 1797 had been entirely lost upon us. The currency would again be depreciated (to use the popular term)—would again require to be restored,—and finally, would be forced to be put upon that footing, on which, I humbly conceive, it is in the power of the British parliament to establish it now and for all future time.

The evil which may be dreaded from the present cash laws, and

\* The total amount of gold coined at the mint from 1760 to 1809, a period of 50 years, was only 66,214,774*l.*; and of silver for the same period, 63,419*l.* But all this gold has now disappeared. Yet even this was not much more than equal to one year's taxes.



which is here set forth, is, I apprehend, not properly attributable to the circumstance of bank notes being payable in gold on demand, but to a defect in the principle by which their payment in gold is governed. The present system, instead of providing for a *relation to subsist* betwixt gold and bank paper, is capable, as it has been shewn, of excluding paper from circulation as effectually as gold was excluded from circulation under the bank restriction act; and the baneful operation of this defective principle would, I apprehend, be still felt, though perhaps more remotely, if 5*l.* instead of 3*l.* 17*s.* 10*d.* per oz. were fixed as the unalterable price at which bank notes should be payable in gold, or if silver were taken as the measure instead of gold. Either of these remedies would diminish the value of English money, without correcting the defect to which I have adverted: and, therefore, effectual relief cannot be expected from either of them. But as the market price of gold is now brought upon a level with the mint price, it is respectfully suggested that the following simple expedient might at this time be adopted, with credit to the country, and advantage to the community at large, since it would perpetuate the benefit of cash payments, while it would avert the evil which attaches to the present system. The expedient which I propose, and which I should desire to see suggested to the consideration of Parliament, is—

1st.—That bank of England notes be made a legal tender for all payments of the value of one pound and upwards.

2dly.—That the bank be required to pay their notes, on demand, in gold, at the market price. And in order to ascertain the market price,—

3dly.—That the bank be required to give periodical notice of the price at which they would sell their notes for gold, or give gold for their notes, or receive gold in payment for the various securities lying in their hands. Such notice to continue in force till the stated period for its renewal.

And, 4thly.—I conceive it would be found beneficial to all the parties interested, that the present mint price should be the *minimum* to which the market price shall at any time descend.—So that foreigners, as well as Englishmen, might always calculate with certainty upon a sovereign, or 5 dwts. 3 grains of standard gold, being, at least, adequate to the payment of one pound English.

The effect of the first of these propositions, in conjunction with the second, would be to preserve an unity in the character of English money, so that when a contract was made between individuals, it might remain unaffected by foreign exchanges. For



want of this regulation, at the commencement of the present peace, numbers were ruined, almost instantaneously, themselves scarcely knowing how it happened; and for want of this regulation latterly, capitalists have not ventured to put their money into circulation in the way of trade, because every succeeding month, since 1819, has shewn them, that, owing to the gradually increasing scarcity of *active* money, the profits of trade have not been proportionate to the increased value of the money employed:—the fact being notorious, that in the face of a fair demand for goods, the English prices of them have been continually diminishing.

The 2d proposition, whilst it would for ever, and under all circumstances, secure to the country the power of converting paper into specie, would at the same time secure us from the evil of a *monopolized* currency.

Under the terms of the 3d proposition, it may be presumed, that our merchants, foreign bankers, and bullion dealers, would constitute an adequate counterpoise to the privilege granted to the bank of England, so as on the one hand to prevent bullion being raised above its value, and on the other hand to preserve it from a depression below its value. By this means, I apprehend, the same relation would be established between the English and foreign currency, as does already subsist between English and foreign funds. And for all our domestic purposes, the pound English would be represented by the one pound note; any variation in the foreign value of which, would leave its English value unaffected, because the one pound note would still hold the same relation to all English contracts which it did before.

By the 4th proposition, I apprehend that a comparative steadiness in the European value of English money might be obtained, and the present relation betwixt gold and silver be preserved, thereby tending essentially to secure to us the value and possession of our silver currency. This proposition may be deemed the more worthy of consideration, when it is recollected how extensively this change in our money laws would supersede the necessity of employing the precious metals. For by this change, the only purpose for which they would be *essentially* required (except in small payments below the value of a pound), would be that of discharging the balances of our foreign trade, and for this purpose a very small portion would suffice of that large quantity, which is at present *obliged* to lie dormant in the hands of bankers; consequently, a very great portion would be left upon the market; the effect of which would be like the discovery of another Peru: and but for some legal protection, the tendency of this would be to depress the pre-

cious metals, save in the time of war or famine, below Mint prices; but with a legal protection to the extent of our present Mint prices, and with our national credit and trade, it would, in the absence of war or dearth, or some unnatural call for the export of bullion, be the interest of the bank of England, and of all bankers, to pay in specie to a considerable extent; and under that protection, it could not be against the interests of the community to receive it to an equal extent; whilst any tendency there might be in the precious metals to decline below Mint prices, would be as well balanced by an increase in the nominal price of commodities, as it could be by an increase in the weight of the sovereign. By this means, the country would become naturally stored with a rich and almost redundant currency, the accumulation of which would be to England like well-stored granaries against the time of dearth, and a most useful preparative for the calamity of war. Thus, we should have an abundant, but not a depreciated currency. The landlord—the merchant—the tradesman—the farmer—the mechanic and the labourer, would all directly partake of the benefit; and if the preamble of this representation be true, the fundholder also would participate therein, inasmuch as a monopoly of the currency must depress the value of all public securities. Each would be able to realize a remunerating price for his commodity and his labour, and yet his money might be expected fully to maintain its present character for weight and purity.

Throughout this representation, I have endeavoured to keep in view the probable action of that all pervading principle, SELF-INTEREST: First, by shewing how its individual operation, under the present laws, is capable of producing the greatest inconvenience to the community at large; and, Secondly, by shewing how the present laws might at this time be so corrected, as that this principle would be all that could be required to put in action a system of currency, which would promote the universal benefit of my fellow-countrymen. If I am permitted, Sir, to obtain your sanction, and the sanction of this meeting, to the views here set forth, I shall feel myself most happy in the hope that they are not visionary nor impracticable.

The Address was printed and sent at the request of the meeting to those gentlemen who were members of the Bullion Committee, and to many other noblemen and gentlemen.

Experience, however, soon made it apparent that the author was mistaken in supposing that the bank of England, and bankers in general, would be aware of the risk they incurred



by allowing their credit to supply the public with a circulating medium under the existing law. They appeared not to regard the effect likely to follow from a scarcity of bullion being felt in the country, either from natural, or artificial causes. It seems not to have been thought of, by the majority of bankers, that if the aggregate amount of credit currency, or cash deposits, payable on demand by them, were to become only five or six times as great as the aggregate amount of gold coin in their own coffers, or within their own immediate reach, the law which required that every pound note, and every cash deposit should be payable, at any moment, in sovereigns, at the option of the holder, must render the demand for gold coin a most safe and profitable speculation to any individual, or combination of individuals, who could control a few of those 800 millions which constitute the national debt of England. These considerations appear to have escaped the observation of bankers generally, who (disregarding those fine-spun theories which constitute the web by which deep and subtle speculators entangle their prey) pursued the natural and straight-forward course of business, giving their notes, payable on demand, for bills of exchange, drafts, and promissory notes, payable in two or three months, wherever they were well satisfied that the drawers or acceptors or endorsers were men who had sufficient property and credit at stake to afford a reasonable security that the bills would be paid when they became due; whilst by some (and especially London bankers, who are chiefly bankers for deposits) considerable sums were invested in the funds, or advanced on bonds and mortgages, the parties assuming that, according to the usual routine of their business, they were amply supplied with such an amount of assets in cash as was requisite for their occasions. By the payment of government dividends so much had been added to the amount of credit property in existence, that the funds, and all the usual modes of investment, now yielded too low a rate of interest compared with what had been



formerly received, to satisfy the capitalist : many, therefore, whose chief pleasure it had formerly been to see their pounds, shillings, and pence accumulate, began now to amuse themselves in building new houses, or otherwise expending their dividends, rather than improve their fortune by such slow degrees :—this was one mode in which credit property assumed the character of credit currency. Merchants and such private gentlemen as had acquired wealth in trade and commerce, weary of getting little or no interest for their money, began, some of them, to turn their attention to the purchase of produce, or of manufactured goods ; and by thus applying their funds to the taking up the surplus stocks of the manufacturer and ordinary factors, opened a space for a fresh supply, and gave a little improvement to prices : a movement once created, all persons connected with trade or commerce, at home or abroad, gradually became less diffident of keeping a larger stock in their stores, whilst contemporaneously with every movement of goods from the manufacturer was his receipt of bank-notes, or bills of exchange, or something in the character of money to represent those goods. Thus, another portion of credit property assumed the character of credit currency. Every addition to the circulating medium furnished the working people with the means of purchasing the necessaries of life more freely, and supplied those who sold the necessaries of life with the means of again purchasing the produce of the labour of those very work-people.

But to represent an increasing quantity of goods and a greater number of business transactions, requires a continued and systematic increase in the quantity of money, or of that which has the credit of money attached to it ; and it is not possible, in the nature of things, for gold or silver to accomplish those ends.

To meet such exigencies, it would require that every workman, when he was unable to obtain from his usual employment of tillage or manufacture, so much gold or silver in ex-

change for that labour, as previously would enable him to purchase the various articles necessary for his own support, should have the means of going at once to the gold and silver mines, in order to extract such a portion of those metals as would ensure them to him. But as this could never be the case in this country, and if it could, would soon render gold and silver so plentiful, as to be more worthless than stones, the means of obtaining a money representative for a larger aggregate quantity of food and clothing, houses, pictures, books, and all the other things which constitute either the necessities or luxuries of life, and, at the same time, of sustaining their specific value, must be sought for in some other medium different from that of gold or silver.

That medium which the precious metals could not supply, was provided by the credit of the bank of England, and of local bankers. The public regarded not how the currency was provided.—All that they knew or cared about it was, that it answered the purpose of a circulating medium, and in proportion as they found less difficulty in getting it, in like proportion they were less scrupulous about expending it. The labour of every one by degrees found a ready employment—rents and taxes became well paid. By the instrumentality of this credit currency, adequate means were provided for circulating a largely increased quantity of goods and produce, and of sustaining prices at a remunerating rate.

When the national stock of food and clothing, and all the more immediate necessities of life had become full almost to excess, then capital and labour began to seek a new direction in providing conveniencies and luxuries for mankind. Works were accomplished that never could have been thought of, if the multiplication of the first necessities of life (which the introduction of machinery had created, and the credit currency had sustained) had not been such as to admit of great numbers of labourers being clothed and fed during the time their labour was so largely diverted from its usual channel.



The combination of capital in joint stock companies provided a large field for the employment of those whose services in other things had been superseded by machinery. By the united employment of the skill of one class, the capital of another, and the labour of a third, mountains were brought low, and valleys raised, new roads made, and old ones improved; the darkness of night yielded to the brilliancy of artificial light, not only in great cities, but even in many minor towns; and canals, railways, piers, bridges, and other public works, were projected and executed, of a character for magnificence surpassing any thing which had been wrought by the credit system during the war. Machinery was so rapidly improving, that we seemed to be in a fair way of having clothes made without hands, and food provided without labour, and the time appeared to be fast approaching when, in fulfilment of the anticipations of Sir W. Petty, England might rest from her great industry, and her people have nothing to do but to employ themselves "in ratiocinations upon the works and will of God, to be supported not only by the indolency, but also by the pleasure of the body; and not only by the tranquillity, but serenity of the mind." In the plenitude of this apparent prosperity, the chancellor of the exchequer (the last person, one would think, in England, to be under apprehensions from the abundance of money) began seriously to perplex himself how he was to discharge his duties over a people about to be inducted into a state of so great felicity.

The author of the preceding address was himself tempted to hope that his own predictions might be falsified. At all events, so convinced was he that a simple and speedy remedy was within the reach of government, whenever the predicted evil should begin to manifest itself, that he could scarcely be persuaded of the fact, that the bank directors would have suffered the credit system to expand so much, or the chancellor of the exchequer have expressed such confident hopes of the



permanency of this national prosperity, had not government been conscious of a remedy, and ready to adopt it whenever the market price of bullion should so exceed the mint price, as to cause the bank to be drained of bullion to any considerable amount.

But these golden visions were destined to be of very short duration. By some means or other gold began to be in request in the early part of 1825. At first it was thought to be the mere natural overflowings of the prosperity of England, by which the circle of happiness might be so extended as to include in its scope the neighbouring nations. The foreign demand for gold, however, continued, until at length the foreign value of a pound sterling in a sovereign exceeded the foreign value of a pound sterling in bank notes or bills of exchange. It then became a profitable mercantile transaction to take bank notes to the bank of England, and get sovereigns for them, and to take those sovereigns to France, where the merchant could purchase bank notes and other English paper of the highest credit, at a discount, which notes, being brought to England, were converted into gold, which was again sent out. To check this state of things (for it now appeared that the government had left the bank and the people to manage their own concerns), the directors were obliged to withdraw their notes from the market, by secretly negotiating exchequer bills. Had they not done this, that establishment must have been compelled to stop payment, and then, great as the evils were which the nation experienced, incalculably greater must have been felt. But in withdrawing their notes from the market, so scanty a supply was left, that it was utterly impossible for it to represent the current transactions of the day. Those who were under money liabilities were obliged to make immediately vast sacrifices of property to preserve their credit. Many bankers and merchants of large property, but who had not that which was immediately available, were compelled to suspend payment. Their stoppage

involved the manufacturing districts in distress. Bills were dishonoured and returned : to meet these, the manufacturer was obliged to make enormous deductions on the sale of goods, which being forced into the market in great abundance, established a market price for them far below cost, and indeed lower than had been experienced in either of the preceding commercial convulsions ; namely, that which had attended the termination of the war, and the one which followed the enactment of July 1819.

Such were the first consequences arising from that principle being freely acted upon, which gave to the holder of English credit a right to demand, under all circumstances, a sovereign weighing five pennyweights and three grains of standard gold for every pound note, and for every pound in account. And here it may be proper to offer a remark upon the mode by which these calamitous consequences would have been averted, if a system of cash payments upon the principle proposed in the Address, page 128, had been in existence. An export of bullion might still have taken place. It ought to have done so, and no doubt would, whenever the low price of labour in any of the neighbouring countries should have been found somewhat more than a counterbalance for the superior mechanical powers, and other natural or commercial advantages possessed by England ; but then, as the import of bullion into that country would tend, in some degree, to raise prices there, and the export of bullion from England would also tend to the reduction of English prices, so it is probable that, long before the bank had parted with half a million of its bullion, the prices of the two countries would have been brought to an adjustment, without the great bulk of the people knowing aught of the derangement.

But for the sake of putting the case in the strongest light, let it be granted that a commercial speculation in gold had taken place, and that the bank of England had parted with six or eight millions of gold at the current mint price, before the

directors had opened their eyes to the evil—that they had suffered the resources of that establishment to become so low, as to compel themselves to give twenty shillings and threepence in bank notes for a sovereign—yet, even then, all that would have been necessary for them to do, would have been, to give notice to the public, that twenty shillings and threepence was the price at which they would take or give sovereigns for notes; and the value of the sovereign in relation to English bills being thus made equal in England to what it was abroad, the inducement to export gold would at once have been taken away. This mode of checking the export of bullion would have been attended with some loss to the bank of England, because, whilst the sovereign was estimated at twenty shillings and threepence (which would be until the stock of gold in England had become sufficiently replenished), the bank would be subjected to the loss of threepence in the pound in the metallic or foreign value of all their government dividends, and upon any excess there might be in their receipts over their payments. But as this loss, whatever it might be, would fairly be attributable to the want of timely precaution on the part of the bank, so it would have been right that the loss should fall primarily and chiefly upon that establishment. The bank, however, being then relieved from the liability to buy sovereigns at twenty shillings and threepence, and to pay them on demand for twenty shillings, would have had no necessity to cease the issue of their notes in the discount of good bills as usual, or forcibly to contract the amount of their notes in circulation by the sale of exchequer bills, as their notes would then only have been wanted for the legitimate purposes of the home circulation, and not as an instrument by which the private speculator could make profit at the expense of the bank. Thus a temporary loss on the part of the bank, of one and a quarter per cent. upon the balance of their current receipts over their current payments, would have checked the export of bullion, and bank notes would have supplied the



place of it, until, in the regular course of commercial transactions, gold was again brought within the mint price; even supposing the extreme case, that an extraordinary export of it had taken place before the bank directors were aware. In the natural course of commerce, however, an extraordinary export of the metals never could suddenly take place; and though, in the unnatural process of speculation, such a design might for the moment be entertained, yet the inducement to adopt it would immediately be taken away, when it was seen that the object of the speculation might be so easily thwarted.

When the first rush of the calamities was passed, a death-like chill prevailed over the commercial classes in England. The attention of every one was directed to the meeting of parliament, in hopes that something would be devised by the government, to mitigate that mischief which had broken out like an earthquake in England, and was now extending itself into every part of the commercial world.

Parliament met in February 1826: but the measures then brought forward, and the arguments advanced, were such as presently convinced the thinking part of the community, whose wits were sharpened by coming in closer contact with the evil, that all expectations of relief from that quarter were in vain. The same wisdom which had traced the distress of 1821 and 1822 to the superabundance of food (not perceiving that over-stocked markets might be occasioned as much by the dearth of money, as by the want of consumers), now attributed the national distress to an excess of manufactured goods. When an advance by exchequer bills to merchants and commercial men, on the deposits of goods, was proposed to ministers, it was alleged that merchants and manufacturers had only themselves to blame for what was called over-manufacturing and over-trading, and that his Majesty's ministers would leave them to their fate. Yet, preposterous as it may seem, before the following winter, ministers found it necessary to send old army-clothing to cover the nakedness of those

very people whose powers of producing clothing it was alleged had overstocked all the world. And when public charity was appealed to in churches and chapels, in behalf of these distressed manufacturers, we were told, on the authority of government, of places containing two hundred families, in the heart of the manufacturing districts, where they had only four entire blankets among them.

If parliament could not mend the condition of the commercial world, few were prepared to expect from that quarter any measures that would render it worse. Yet this seemed to be the effect of certain resolutions which were at that time proposed and adopted. For some reasons, a notion prevailed in parliament, that bankers might be allowed to exercise their own discretion in issuing to any amount notes of the value of five pounds and upwards, but that it was wrong to leave them to their own discretion in the issue of one and two pound notes. The absolute suppression of all the small local notes in three years, and the immediate suspension of the issue of any more stamps for such as might be issued in the mean time, were in consequence among the first measures which were introduced by the government, and sanctioned by a majority in parliament. In vain was it urged that inquiry ought to precede the adoption of this measure. The same radical mode of reasoning which, a few years before, would have prevented the poor from being starved to death by the abrogation of the poor laws, in hopes of preventing poor people from being born, seemed to dictate this measure with respect to the local currency. Some country bankers had failed—some poor people might perchance have a one pound note—this was a great hardship, but this would not have happened, if there had been no one pound notes; and, therefore, to prevent the future production of such tares, it was resolved that the whole crop, good and bad, should be grubbed up without further ceremony. Ministers, in the first instance, would not hear of any exception of the bank of England one and two pound notes;



but a few days' reflection caused them to change their minds in this respect. Epithets, too, were applied to the country bankers (as if they had been the only bankers that had failed) calculated to excite unreasonable prejudices in the minds of the people, by those who, though high in rank, appear to have been ignorant of the degree in which wages depended upon this local currency, and how far better it was for the people to have work, and a country bank note in payment of their wages, for which they would get the necessaries of life) even if, perchance, one in twenty should occasionally lose eight or ten shillings on a pound note by the failure of a bank) than that they should hear of "a golden stream irrigating the base of mountains of paper," of which stream, for want of employment, these poor working people could not taste.

The immediate effect of this measure, with respect to country bankers, was, that a second run took place upon many, subjecting some to additional sacrifices in order to meet the exigency, and producing the stoppage of others. Bankers now felt their insecurity to be such, from the measures adopted towards them, that in many instances they prudently refused to let their promissory notes go out of their hands, so that, in some large manufacturing towns, bills of the highest respectability could not be converted into small change, the usual course of doing it by local notes being checked; and to keep a dead stock of gold or bank notes to discount bills with, was nobody's business, especially as from the depressed state of the funds, no one could sell out for that purpose without a loss too great to be covered by the profit of occasional discounts: so that those manufacturers or traders who had a regular country connection in business, and who had bills of exchange of first-rate respectability in hand, found themselves impeded and subjected to increased expense in the payment of their work-people; whilst manufacturers' bills representing goods sold to the merchants, and bearing the merchant's acceptance, were quite rendered dormant until they became due,



and the labour, which otherwise might have been employed, was lying dormant also. As the poor work-people could not let their appetites lie dormant, they were reduced to the necessity of pawning their little stock of furniture, &c. for a subsistence.

Some bankers, who had calculated upon the credit system being secure from the further intervention of parliament, at least until 1833, reckoning upon the preponderance of their resources over their probable demands, had made considerable advances to manufacturers, who, after spending considerable property in the construction of mills and machinery, had found it necessary to avail themselves of a temporary accommodation from the banker, to complete and to work their establishments. Whatever imprudence may be charged upon the manufacturer and the banker in these cases, it was a gratuitous cruelty to render their difficulties greater by a sudden departure from a system, to the continuance of which, those bankers had been led to conceive the honour of parliament was pledged. Now, however, new mills, filled with the most improved machinery, and ready for carrying on trade, calculated, under an equitable money system, still further to conduce to the prosperity of England, were forced upon the market for sale, when from the contraction of the means of working them, the vendors were glad to get one-third, or even one-tenth, of the cost price; so that after the manufacturer had sacrificed every thing, so great a loss was still inflicted upon the banker, as in some instances to cause his ruin. The insolvency of the banker may be assumed from his stoppage; but the injudicious measures of parliament were, in some instances, the cause of that insolvency. A stronger proof that the course which parliament had taken with respect to the local currency of England was injudicious, cannot be adduced, than the fact, that when the same principle was about to be extended to Scotland, the Scotch felt their welfare so much endangered, that their clamour for an enquiry was

irresistible, and the result of the enquiry was such that parliament were constrained to admit, that a system of small-note currency, which they had taken for granted was poison for England, was food for Scotland.

Another mode in which parliament increased, rather than diminished, the existing distresses of the country, was in their proceedings relative to joint stock companies. Unfortunately much misapprehension existed in parliament concerning the nature and origin of those companies. In consequence of this, the benefit which might have been derived from them by government and the working classes was quite lost sight of; and, instead of leaving people to manage their private affairs for themselves, the whole attention of parliament was taken up with efforts to prevent men from laying out their money in unprofitable speculations.

Joint stock companies had their origin in the accumulation of credit property, arising principally from the continual additions made to it by the half-yearly payments of government dividends. It has been already shown, that prior to the existence of a credit currency, it was morally impossible that any government should be able, for long together, to pay even the interest of a national debt, but that by the introduction of credit currency, accompanied by grants of taxes, and by the exchequer bill and funding systems, means were provided for an almost unlimited payment of interest. Whilst the war continued, the government itself was the head, as it were, of an immense joint stock company, re-borrowing the interest of the loans as fast as it was paid. The object of this company was to clothe and feed our own soldiers, and those of our allies, whilst they were employed in defending Europe, first, against the anarchy and frenzy which attended the French revolution, and afterwards against the ambitious views and arbitrary control of Buonaparte. The credit currency all this while formed the medium by which the manufacturer and farmer received an acknowledgement for their cloth, corn, &c.,

and through which they again paid their landlords' rent, their workmen's wages, and the government taxes. The accumulations of the national debt constituted the profits of the proprietors of this joint stock company.

When the war ceased, the further operations of this company were of course suspended ; and those dividends which the proprietors had been accustomed to re-lend to government, were now without employment ; for it was obviously of no use to accumulate bank notes, or to suffer the dividends to remain long together in the banker's hands at little or no interest ; and after the reduction of the 5 per cents. it was found worse than useless to expend the dividends in the mere enhancement of the nominal value of funds. In the end, these accumulations of credit property caused companies to be formed, some for lending money to neighbouring nations, others for increasing the stock of gold and silver by working the mines of foreign countries, and some again, for public works of ornament or utility in our own country ; thus calling into action the enterprize, skill, and labour of a great many people. But it unfortunately happened that here also " the enemy sowed some tares among the wheat." The projection of some joint stock companies justified a suspicion that they were designed to be rather a vehicle for cheating the subscribers than for attaining any useful or profitable end. In these cases it would, doubtless, have been desirable to have devised laws for punishing the guilty as soon as their criminality was apparent ; but instead of this, many gentlemen in parliament took the more radical course of exerting their influence to check the formation of joint stock companies altogether, and to repress those already formed ; and from what was then said and done in and by parliament, many great designs were suppressed, the execution of which would have given employment and food to numbers of people, and when completed, would have been of permanent national benefit. In 1816, when work was greatly wanted, benevolent individuals were ready to employ



poor people in digging holes, and filling them up again, rather than they should be deprived either of food or work. In the beginning of 1818, government was empowered to borrow, as was before observed, a million of money for the building of churches in new places. It was made no objection to these things that they would not yield any pecuniary profit, or rather, that in the latter case, as an additional number of churches would require an additional number of clergymen, such undertakings would constitute a continual increase of charge. But now, when a company was to be formed for working mines, or for making a canal, or a railway, or for lighting towns with gas, the subscribers were deemed incompetent to judge of the proper objects for an investment of their own money, and such legal obstructions were thrown in the way as should deprive people of the opportunity of uniting their capital, and the poor of the benefit of being employed.

It was alleged that many people of limited means had been induced to join in these concerns; that the original projectors, in some cases, had taken advantage of the credulity of the more simple; and that the skilful and crafty had realized large profit for themselves, and left others to bear the loss. But unfortunately these things had already taken place before parliamentary men, in their public capacity, knew any thing of it, and the simplest people had themselves become wise enough to be on their guard. For parliament, therefore, to interfere in this stage of the business, was so far from being a kindness to these simple folks, that it merely operated to make their case more deplorable. It was worse than shutting the stable-door after the horse was stolen; it was stopping the way against his return. If, during the war, when the fund proprietors had advanced one or two hundred millions to the government, ministers had come forward in parliament and said to those proprietors, just after they had cleared the loan contractors of their *omnium*, "You have done a very unwise thing; you evidently knew not how to take care of your

money ; all this money which you have advanced, or promised to advance, is already expended or condemned for expenditure in distant countries without as yet the least prospect of a profitable return, or any return at all. It is true that the loan contractors were very wicked to cheat you into the speculation, and we lament there is no law to punish them ; but as a kindness to you, and to make you more wise in future, we are resolved to do all we can to make your government annuities fail, and then nobody will buy your annuities from you, except those, who like the loan contractors, knowing the mystery of money, know how to manage the government :”—this, it is obvious, would have been very preposterous conduct on the part of ministers ; and yet, amongst all the joint stock companies established during the late *mania*, it would be difficult to find one that gave a less prospect of profit than the joint stock company of the funds afforded, when Mr. Pitt, in order to support it, had recourse to the bank restriction act. Although Mr. Pitt and the ministry did not address such arguments as these to the people in 1796 and 97, Mr. Thomas Paine, and those of his school of finance did, and got themselves stigmatized as jacobins and rebels for it. Now, however, when the success which has attended the funding joint stock company might be appealed to in proof of the profit to be derived from the combination of capital, even for the mere purpose of feeding and clothing soldiers whilst they were fighting with other men, the professed followers of Mr. Pitt seem to have discovered that the philosophers of Mr. Paine's school were right ; and that even to suffer men to combine capital for the feeding and clothing of labourers whilst employed in works which were, or professed to be, works of public utility, as well as of private profit, was so pregnant with evil, that it was a question, with some of them, whether the whole of the national distress then felt might not be attributed to this cause.

Mercantile men, perceiving how little chance of relief there

was from aught that government was disposed to do, were compelled to have recourse to the ruinous expedient of consigning manufactured goods and colonial produce to foreign merchants, who, as an inducement to supply an advance in cash upon them, were empowered to sell the goods, &c., at their option, for what they would fetch. By this pawn-broking system the exchange was forcibly turned in favour of England, but no turn was given to the tide of distress, which was overwhelming in succession all classes of people: on the contrary, the scarcity of money which this system created abroad, compelled merchants there to force the sale of the goods consigned to them, and so to depress prices still lower; and every fresh depression in price spread further ruin in England.

The following extract from the Times paper of April 25th, 1826, under the head of the money market, gives a lamentable picture of the prospect which mercantile men had to encounter; and subsequent experience has, unhappily, fully corroborated the correctness of the anticipation. —

FROM THE CITY.—*April 25, 1826.*

“The accounts of yesterday from the north of Germany are curious, from the light they throw on the nature of the business with that part of Europe which is at present carried on by English merchants. To escape from the consequences of that depression which has so long continued in colonial produce, and which rendered sales in London not only injurious but extremely difficult to be accomplished at all, applications have been made to foreign houses to allow consignments to them, in the hope of obtaining a better return for the merchandize in Antwerp, Hamburgh, and other places. This the foreign merchant has been willing enough in general to consent to, but not without receiving full permission to bring his consignments to market at his own pleasure, that he might be secure at least to the extent of his advances upon them. Business of this description, in the glutted state of the English market, having once found an opening, began to increase to a far greater extent than the foreign markets could provide for, and they have consequently been reduced to the same or to a worse condition. To whatever point, therefore, the merchant has directed his views, he has encountered of



late nothing but disappointments and losses. A little reflection on this state of things will also perhaps serve to explain the causes which have brought about a state of the foreign exchanges so favourable to this country ; and how fallacious any general reasoning founded on them must be, to prove that our foreign trade is in a prosperous situation. Low as the markets have fallen, England in fact can neither export nor import without loss."

The sufferings of the winter of 1826 are too notorious, and must be too fresh in every one's memory who takes any interest in the welfare of mankind, to need any further notice of them than the allusions already made, and a reference to the reports which by the orders of government were then addressed to us in our parish churches, to arouse our sympathy for the distressed manufacturers. The low ebb to which the farming interest is again reduced, and the increase of crime in the agricultural counties, bear melancholy proof to the fact, that the agriculturist has not escaped his share of the distress ; and the perplexity which in the course of the last two years has clouded the minds and destroyed the health of those high in his Majesty's councils, may serve to shew, that as with the natural so with the political body, one class in society, however mean it may be, cannot suffer long without the whole frame being injured by it.

A judicious remark was made about 200 years ago by Mr. Greaves, a writer on money, that "if those advantages which one country may make upon another in the mystery of exchanges and valuation of coins be not thoroughly discovered and prevented by such as sit at the helm of the state, it may fare with them after much commerce as with some bodies after much food, that instead of growing full and fat, they may pine away and fall into irrecoverable consumption." Since the termination of the late war, England has three successive times proved herself to be on the verge of that kind of consumption ; and it is discouraging to reflect that this expe-

rience has failed hitherto to make those who govern the state open their eyes to the real cause of the disease.

At this present time, May 1828, so far below its natural value is raw produce and manufacturing labour, that the writer of these remarks conceives it is profitable for great capitalists, who rule the market first for one article and then for another, to invest their credit capital in goods rather than in preparations for cash speculations; and that it is therefore possible a temporary prosperity may again gleam upon the manufacturing districts, and perhaps in the end bestow a ray of hope upon the agriculturists. But of this he is quite assured, that under the existing money laws, it is quite impossible for English labour generally to obtain wages adequate to English payments without rendering a bullion speculation profitable, and so bringing about a recurrence of evils as great as those which England has recently experienced, if not greater.

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### CONCLUSION.

THE pernicious tendency of that principle of political economy which invests one species of property (gold or silver for instance) with the prerogative of determining the value of all other property, is manifested throughout the preceding narrative. This principle, it has been seen, was no sooner sanctioned by the king of England in the collection of his revenue, than the shrewder part of his subjects began to discover, that the surest way to get wealth was to accumulate that particular species of property which was then endowed with supreme authority over all the rest. This was done sometimes by the king and sometimes by his subjects, but always by the Jews. Thus was private interest always op-

posed, and oftentimes successfully, to the public weal ; which, as Lord Bacon states in our motto, requires “ that the monies of the state should be prevented from being gathered into few hands : for otherwise a state may have a good stock and yet starve.” In defiance of all laws this mischief was continually at work, directly or indirectly producing famine, pestilence, sanguinary executions, oppression, and rebellions. It constituted that monster which queen Elizabeth boasted she had annihilated ; but in which assertion her subsequent experience shews she was mistaken. Indeed she only attempted to destroy one of the heads of the Hydra, consisting of that class of people who clipped and counterfeited the coin, for the monopolizer of it had her commendations. But if the absolute money system in earlier times was thus destructive of the peace and welfare of the people, in our own it has received a character which renders it, if possible, still more pernicious ;—for whilst the circulating medium is permitted to have almost all the expansion which credit can give, it is also liable by the bill of 1819, to be suddenly contracted within metallic limits.

Under the control of this system, both late and present experience amply proves, that the power and property of England are alike liable to be sacrificed, whenever it may seem conducive to the private interests of a few bullionists to produce such an effect ;—or whenever it may suit the political purposes of any rival state, which has credit enough to borrow so large a loan at one time, as, under the management of a shrewd financier, might drain the bank of England of a few millions of its gold. Under the contracting influence of this defective money system, facts have arisen, which give an appearance of truth to the arguments of those who have attempted to prove, that in order to relieve England from its distress a large portion of her cultivated soil should be restored to a state of barrenness—her mechanical operations checked—her spirit for commercial enterprize



restricted — her able-bodied artisans sent to distant countries, and the reproduction of labourers checked by abolishing the poor laws. Happily no facts can prove that which it is impossible to prove, viz. that consumers may be too numerous for the production, and the production at the same time too great for the consumers : though facts may prove, that the ox which treads out the corn may be starved to death in the midst of plenty, if due care be taken to muzzle him; and that workmen may be unclad and unfed, though their labours have filled our warehouses and stores to excess, if there be not a means devised by which their further labour may be made available to their employer, and to those to whom the employer is under money liabilities. When expedients are cherished in theory, which would go to reduce the people and the commodities of England, in a degree so as to suit them to this pecuniary money system, and the governors of our country are ready to adopt such expedients rather than take measures to enlarge the medium of exchange, we are constrained to admit that England is brought under the curse of Babylon, and that so far as the advocates of our present system are concerned, the happiness and prosperity of her people are esteemed to be less precious than the golden wedge of Ophir.

Others there are who suppose our national distress might be cured, not by contracting the numbers of the people, and their means of subsistence, but by a great and general reduction in the rents of land, &c. This, at first sight, appears feasible enough ; but let any one ask himself what must be the result, supposing rents were universally reduced to one-half what they now are, and that the landowners, now in receipt of 100,000*l.* per annum, were at once brought down to 50,000*l.*, and every smaller freeholder in proportion. It cannot require a second thought to discover, that the immediate effect of this must be, to cause one-half the servants, labourers, mechanics, tradesmen, &c., employed by the landed proprie-

tors, to be dismissed, or that their wages and payments must be reduced to one-half what they now are ; as it is plainly impossible that the landed proprietor could continue to pay two pounds, when he was himself only in receipt of one pound. If one-half of the labourers, &c. were dismissed, in order to keep up the wages of the other half, those who were so dismissed must seek for some new employment, and thus become competitors with those who are already so numerous as to be perplexed to find a profitable employment. If, on the other hand, a landed proprietor retained the whole of his establishment, allowing to each member of it the half of his former wages or payments, then the farmer and manufacturer must also be content to receive half prices in their turn ; so that, in either case, however the scale might be altered, the relative proportion of income of each to the other would only be the same as it is at present. But carry the argument one step further, and suppose the fundholder and the government annuitant or pensioner to retain their present nominal income, whilst the landed proprietor, and those immediately dependent upon him, are reduced fifty per cent., and it will immediately appear, that those dependent upon the landed interest would be infinitely worse off by the reduction of rents than they now are. And if it were possible to reduce the fundholder, in like proportion to the landholder, the relative condition of one to the other would only then be just as it is at present, without any alteration. Therefore, however a reduction of rents may, in many cases, be justly due to the tenant, in order to equalize betwixt him and his landlord the burthens which are at present felt by the landed interest in common with the commercial ; it is clearly in vain to look for any *national* relief from a general reduction of rents.

A few others have taken altogether a different view of the subject. They are disposed to regard money as an article made for the service of man, and not man for the service of money. These think they perceive that the population has

failed to be duly provided for, not because of the actual absence of food and clothing, (for it was apparent that whilst one part of the people was suffering for the want of both these necessities of life, the farmer and the manufacturer were suffering for want of customers to buy them), but because of the absence of an adequate circulating medium, sufficing the general demand for it. Three times since the peace, it has happened that the circulating medium no sooner found the means of expansion, than the lower classes of the people found abundance of food and clothing, and the farmer and manufacturer plenty of customers. This was remarkably the case in the removal of the distress which preceded the prosperity of 1824 and 1825.

Amongst those who have taken this last view, various expedients have been suggested for removing the national distress by enlarging the circulating medium. One proposed that the specific weight of the sovereign should be reduced. Another has recommended the adoption of a silver as well as a gold standard. A third advises the general introduction of the Scotch banking system. A fourth recommends the issue of a paper currency directly from the treasury. But, however well intended all these expedients may have been, they all fail to reach the root of the mischief.

The preceding narrative shews, that to reduce the specific weight of that piece of coin which is authorized by law to represent the pound sterling, is but, as it were, to offer a premium to tempt the monopolizer of the metal in a short time to repeat his speculation.

Experience has also repeatedly shewn, that it is impossible to make a specific weight of gold and of silver, at one and the same time the absolute representative of the pound sterling, without affording to the dealers in those articles an opportunity of making private profit at the public cost, merely by their withholding sometimes one and sometimes the other from the market. Besides, it carries a contradiction upon the



face of it, to suppose that two articles can, at the same time, be made a standard for valuing each other—the standard, in such a case, if standard it can be called, must be some imaginary point betwixt the two; which, unless it has some visible representative, as a bank note for instance, must remain undiscovered; and if it has a visible representative, then is that bank note, or whatever it be, the standard, and the gold and silver are only measured by it.

The Scotch banking system is not sufficient to protect itself from the power of the gold monopolizer under the existing cash law. This opinion would have received a dreadful corroboration, if the bank of England had not, in the recent panic, stood betwixt the credit currency of the kingdom, and the trader in gold. After the bank had checked the export of gold, then the credit of that establishment stood in the place of gold to all other bankers, the Scotch bankers amongst the rest, and saved them. Some of the advocates of the Scotch system have lately recommended that the capital of the bank of England should be rendered less, in order to admit of a freer competition with it, on the part of other joint stock banking companies; but, notwithstanding the immense amount of their capital, and the strength of their credit, we have had it stated in parliament, on good authority, that the nation was, during the panic, within a step of being reduced to a barter system, which declaration was understood to imply that the resources of the bank were, at the time, nearly exhausted. If so, it does not seem that the amount of their capital was too great, neither is it easy to see how it should be.

The fourth measure, viz. the issue of a paper currency directly from the treasury, must always be open to the same objection as the French assignats were; and the fate of them, it is to be hoped, will preserve us from the adoption of that suggestion.

But none of these expedients, if they were in themselves eligible, could be of permanent use, from their utter inability to counteract the machinations of those large capitalists who derive profit from monopolizing the material of money.

The author conceives that a plan similar to that which has been proposed at page 130, would meet the object desired by all the above advocates of a credit currency, and would guard us against the bullion monopolizer. He proceeds, therefore, to call the attention of the reader to the further consideration of that plan. Great as the calamities are acknowledged to have been, which England has recently experienced, and unexpected as they might be to the bulk of the people, the Address (containing the plan alluded to), which was circulated in March 1823, shews that those calamities have not been greater than the writer had at that time good reasons for anticipating, provided the mode of cash payments fixed in the bill of 1819 were persevered in.

In page 138, it is shewn how the market-price system of cash payments therein proposed, would probably have averted those calamities altogether; and after the distress had begun, it is shewn how easily its progress might have been checked, at a very trifling loss to the bank of England, if this system had been acted on.

In the writer's opinion it would be an improvement upon the system, as already suggested, if, instead of the bank being liable to pay and receive *coined* gold only in exchange for notes, it were arranged, that for sums above a certain amount, say 100*l.*, 200*l.*, or 300*l.*, uncoined gold, assayed and stamped by the mint, were made the medium of exchange, at a price varying from that of coined gold in a degree barely adequate to the cost of coinage; and if uncoined silver also were brought under a like regulation. By this means a great expence in coinage might be saved, and it would obviate such objections as those advanced in the time of Wil-

liam the Third, by Sir Dudley North, against the renewal of the free coinage act.\*

The system of cash payments here advocated, it will be seen, is but a modification of the suggestion which proceeded from the bank directors to the committee of the lords, in reply to their communication to the bank, dated the 24th of March 1819, of which plan of the directors the author of these remarks was not aware when his address of March 1823 was printed. The substance of the reply of the bank directors is given in page 116. On that reply Mr. Ricardo made the following observations, in his pamphlet on *Protection to Agriculture*.

“ If this proposal had been acceded to, the bank would itself have determined the price at which it should have sold gold from time to time to the public, because by extending or curtailing their issues, they had the power to make the price of gold just what they pleased, 4*l.* or 10*l.* an ounce, and at that price to which they might chuse to elevate it, they graciously proposed to sell it, provided a reasonable time were allowed to prepare itself to try the effect of such a measure.” It is probable that sentiments like these operated with the committee of the lords, so as to cause them to reject the pro-

\* “ I call to witness the vast sums that have been coined in England, since the free coinage was set up. What is become of it all? Nobody believes it to be in the nation; and it cannot well be all transported, the penalties for so doing being so great. The case is plain, the melting-pot devours it all: the rather because that practice is so easy, profitable, and safe from all possibility of detection, as every one knows it is; and I know no intelligent man who doubts but the new money goes this way. Silver and gold, like all other commodities, have their ebbs and flowings. Upon the arrival of quantities from Spain, the mint commonly gives the best price for it; that is, coined silver for uncoined silver, weight for weight. Wherefore it is carried into the Tower and coined. Not long after there will come a demand for bullion to be exported again. If there is none, but all be in coin, what then? melt it down again; there’s no loss in it, for the coining cost the owners nothing. Thus the nation hath been abused, and made to pay for the twisting of straw for asses to eat.”



posal of the bank, and also led both houses of parliament to think as Mr. Ricardo appears to have thought, that the above proposal indicated such selfishness on the part of the bank, as rendered their subsequent remarks on Mr. Peel's bill powerless. But the above objection, which is presumed to have weighed with parliament, and which Mr. Ricardo has clothed in words, falls to the ground if the bank were bound, as the present plan proposes, to buy as well as sell gold at the price quoted. Because to raise the price of gold would be to diminish the value of bank notes, and to diminish the value of bank notes would be to diminish the value of all debts owing to and from the bank; and as the amount of debts owing to the bank, and its stock in hand, must always exceed the amount of claims upon it by the amount of its net capital, so every diminution in the value of bank notes must be a loss to the bank proprietors of so much in the value of their capital: therefore the bank would be prevented from raising the price of gold. Thus Mr. Ricardo's objection has no foundation, except on the supposition that the bank directors might possibly do that which it was obviously contrary to their interest to do.

One position, however, the foregoing remark of Mr. Ricardo goes to maintain, namely, that the directors of the bank, by extending or curtailing their issues can, under a market price system, make the price of gold just what they please. This is important, because, for the reason already assigned, it is obviously the interest of the bank to keep it down as low as the law will allow. It being then admitted that the bank, under the market price system, would have the power to govern the value of gold, and it being apparent that it is their interest to keep it as low as the law will allow, government has only to fix a certain price as the lowest to which it should descend, agreeably to the plan proposed at page 130, (and a minimum they would of course be able to fix, though not a maximum) and there would be the fairest reasons for believing that the credit currency of the bank of England, and the metallic currency

of the kingdom, might always be kept at par with each other.

Our present credit currency system, accompanied as it is with a fixed price for gold under all circumstances, is like a steam-engine boiler without a safety-valve. If the credit currency be at any time disproportionate to the metallic currency, (an effect which may be produced as easily by a sudden and artificial contraction of the metal, as by an extraordinary expansion of the credit) the only alternative is to suppress for a time the whole machinery which generates the circulating medium, or else to submit to an immediate convulsion; whereas, accompany the credit system with cash payments at the market price, and you at once provide a safety-valve for your boiler, which would relieve it in this way: the credit currency could never be in excess without immediately producing an exportation of gold—an exportation of gold could not take place in such a degree as to effectuate the obstruction of our home circulation, without forcing the bank to advance the price of gold in relation to their own notes. This, as just observed, would be attended with loss to the bank, and the apprehension of that loss would prevent excessive issues. Thus, whilst the vent for bullion would be free, there would be no inducement to carry it beyond the legitimate occasion, so as to speculate in it; because in such a case England could and would do without it, until the speculator felt, as in the time of William the Third, that his loss in interest of money was greater than any possible gain on the speculation could cover. And thus the monopoly of money would be destroyed by the agency of the same principle which has hitherto fostered it, viz. self-interest; for under this system, to promote the free circulation of money would be at all times as much the interest of the individual as of the public.

Allusion has already been made to the mode in which bank notes performed the office of an effectual circulating medium, under the restriction act: see page 9. Under the system

here proposed, they would circulate in the same manner, only with this improvement, that under the market price system there would be a regular connecting link always preserved between the circulating medium of England and that of the rest of the world, and the holder of bank notes, who did not want them for home circulation or for immediate use, would always know where he could get them converted into metallic money, upon the most equitable terms. This was not the case under the bank restriction act. In both cases, however, the chief utility and value of bank notes is made to rest upon the alternative, which the law imposes upon Englishmen, to pay, periodically, either bank notes or sovereigns to the state for taxes.

The mode in which the local credit currency has performed, and is still capable of performing all the functions of the local circulation, for sums of one pound and upwards, has been explained in page 104. It is there seen, that local notes hold much the same relation to commercial bills, which bills are called into existence by the production and sale of raw produce and of manufactured goods, that bank notes hold with respect to exchequer bills and government securities, which bills and securities are called into existence to supply the ways and means of government; and in like manner as the holder of a bank of England note has the property and credit of the bank of England pledged to him for the fulfilment of the promise contained in that note, so has the holder of a local note the property and credit of the bankers who issue it pledged to him for the fulfilment of the promise which it contains. There is, however, this difference in favor of the local circulation over that of the bank of England: if the bank directors mismanage their business, the property of the proprietors is secured by charter from being rendered responsible to the public, beyond their shares in the bank; whereas, if the local bankers or their agents mismanage their affairs, the proprietors are liable to be stripped of every vestige of their pro-



perty. Compare also the amount of the issues of many private bankers with the amount of property which they have at stake, and make a like comparison betwixt the amount of the issues of the bank of England and the amount of property which that establishment has at stake, and it will be found, that so far as *bonâ fide* security is concerned, there are many private bankers in England whose credit ought to rank higher even than that of the bank of England.

Mr. Ricardo's reasoning on the reduction of the money value of abundant crops of corn, shews that similar effects must always follow any increased power of producing other commodities, unless it be accompanied with the ability of calling out and sustaining an increase in the amount of the circulating medium somewhat adequate to the representation of those commodities. To the power which the local currency has afforded of doing this, it is perhaps to be attributed, that in none of the manufacturing districts of England and Scotland have the workmen been reduced so deplorably in their wages as in the county of Lancaster: and it is worthy of remark, that Lancashire and London, (parts of the kingdom where the country circulation is comparatively unknown), are the only places which complain of the grievousness of such a circulation; whilst those who live in the heart of the system, suffering all the alleged evils of it, are quite unconscious of those fears which haunt the minds of men, who are so far off from them as to be obliged to view the evils as it were through a telescope. In Scotland, where the system of local credit currency has been acted upon most extensively, and where it might have been thought that the promulgation of the golden hopes of Mr. Peel would have been hailed with great joy, the people were generally so ignorant of their sufferings on this score as to oppose Mr. Peel's benevolent intentions *en masse*, under the generalship of their great author. In England the poor were equally unconscious of the benefit which they were to derive from having a sovereign where they had been accus-

tomed to have a promissory note, though they speedily and grievously felt the inconvenience of getting neither one nor the other.

To the working man, who merely wants money as a medium of supplying his immediate necessities, and not as an idol of worship, it is a sufficient consideration, that the local note which he receives for his week's work, is in such credit with all the shopkeepers in the neighbourhood, that he can go to any one of them and get his wants supplied; and the tradesman who takes the note would not have given goods for it, had he not known that with it he could make his payments also. As to the degree of credit due to each local note, that is a matter of private judgment; and however poor and ignorant the receivers may sometimes be, the practical knowledge of the writer of these remarks justifies him in saying, they are much more shrewd in judging of their own interest in the taking of a local note than those people are apt to think, who from their station in life are obliged to receive all their knowledge of the capacities of the common people from hearsay.

The regulation for the payment of local notes contemplated by the present plan, is simply this, that as the bank of England is required at all times to pay its notes on demand in cash or bullion at the market price, so local bankers should always be required to pay their notes on demand either in bank notes, or coined money.

Amongst the opponents of the credit currency, a writer in the Times newspaper, who signs himself Daniel Hardcastle, holds a conspicuous place. Alluding to the mode in which an increased circulation of bank notes is generated, he ridicules the idea of England being prosperous because money is plentiful. "For why," says he, "is money abundant? Because the government gets into debt with the bank. And why does government get into debt with the bank? Because it is poor. Increase then the poverty of the government, and you will have still more money." In this paradoxical argument,

there is a mixture of truth and error, to clear up which, may throw further light on this subject. If no revenue for the government were required from the people, then we might do without coined money altogether, and the precious metals might find their value, as in the patriarchal ages, simply on the principle of barter; each man exchanging his labour, or the product of it, with his fellow men, on the same system. Or if taxes were paid as tithes may be paid, either in kind or in money, at the option of the payer, we might do without bank notes: but as the present case resembles neither of these, as the laws render it imperative upon the people of England to pay a large annual revenue to government, either in gold or credit currency; therefore, it is highly important to the people that the medium in which it is paid should be in an equal degree at all times attainable by all who have labour or the product of labour to offer for it.

There are two kinds of poverty. A man may have an estate worth 10,000*l.* and yet be in want of money; and lacking money, in the judgment of a Jew he would be considered poor, although he might sell his estate, or borrow money upon it. Another man has neither money nor estate, and he is poor indeed. Suppose that a man in the former circumstances borrows 5000*l.* on security of his estate, and that the expenditure of this money upon his estate has rendered it by one-half more productive than it was before, it will appear, that measuring value by the amount of the real necessities of life produced, the owner of the estate, though he owes this money, is in as good circumstances as he was before he borrowed it, while the rest of the community have benefited by the increased supply; and if every bushel of wheat, &c. were allowed to possess the same money value which it had before the improvement of the estate, the owner of the estate would now be as well able to borrow a second loan of 5000*l.* as he was when he borrowed the first. But the parties who lend the money must be the judges of the value of the increased



produce, and if they judge erroneously, their property must suffer. It is right also to keep in mind that the lenders of money never lend it merely because the borrower wants to borrow, as Daniel Hardcastle's reasoning would imply; but, because in their judgment the security he offers is an adequate security.

The poverty of England is of this kind, for though the mortgages upon the estate have greatly increased, yet the productive powers of the estate have fully kept pace with the debt upon it. Apply then to the case of England the same rule which governs individuals in their private transactions, and we shall find that her increased ability to borrow money is proof, that in the judgment of the lenders she has increased means of payment for the use: and the greater then the national debt, the greater is the *proof* of the national wealth, if the lenders form part of the commonwealth.

But it must always be kept in mind, that the truth of this argument rests upon the admission, that property in general (by which is meant every thing which can conduce to the comfort and advantage of man) is entitled to represent *value* equally with money. Limit the representation of value solely to gold or silver, according to the Jewish system, and the reverse of the above argument will be true. The truth of the statement would also be taken away if government were themselves to become the issuers of a paper currency, for then the relation of the borrower to the lender would be reversed, and government might borrow without regard to the judgment of the lender; and as the government could not be distrained upon for their promissory notes, those notes would be what French assignats were, mere tax-paying paper. Under the bank restriction act the credit currency of England was doubtless in great danger of being brought into this state; nevertheless, the experience of even that period shows that the expenditure of one loan before another was borrowed, had such a beneficial effect upon the productive powers of Eng-

land, that the government (greatly embarrassed as it sometimes was) did always find the monied interest prepared voluntarily to lend a new loan ; and the discretion with which the bank directors managed their affairs under such novel circumstances, when from the necessities of the state they might have increased their issues, had they chosen, until bank notes were in the relation of 10*l.* to the ounce of gold, shows the utility, even under the bank restriction act, of having the issuers of credit currency in a body distinct from the government. It also shows that the bank directors were, during the war, well aware in practice of that which has been shown in theory, viz. that no profit is to be obtained to their establishment by issuing notes to an amount so large as to diminish the value of them in relation to the precious metals.

In London (where the people derive all the benefit of a local circulation from the bank of England notes and bankers' cheques) it is quite easy for a writer, who is ambitious to be distinguished as " the great enemy of the paper-money system," \* to persuade half the people into a belief that local notes are worthless rags, and of no more value than the slip of paper upon which they are written ; though, if some of these worthless rags, representing ten pounds' worth of the credit of the Gurneys of Norwich, or Smiths of Nottingham, or of a hundred others that might be named, were to fall into that person's hands, he would doubtless find means to extract ten golden sovereigns from them, or the value of ten sovereigns in any other commodity, as effectually as from a cheque representing so many pounds' worth of the credit of Mr. Drummond of Charing Cross.

\* Cobbett says of himself — " There is a general understanding throughout the country that I am the great enemy of the paper money system, and that government is its great friend ; that is all I want to be understood. I know that I shall see it fall, and without any impatience I anticipate my mighty triumph." Cobbett's Register, Dec. 22, 1827. Page 819.

Consistent as it may be in Mr. Cobbett, who boasts of being the uniform opponent of the credit system of England in all its branches, to spare no pains to decry the local credit currency, it seems difficult to discover on what principle a noble lord, the coadjutor of Mr. Pitt, and lately at the head of the treasury, should have joined Mr. Cobbett in the hue and cry against country bankers and the country banking system.

Lord Liverpool, however, and Mr. Cobbett, are not the only parties of public notoriety who have unconsciously or wilfully fallen into great misapprehension concerning country bankers, and concerning the nature and value of a country bank note. Mr. Tooke, alluding to the local currency of England, has the following remark: "But if there is (see pp. 122, 123) any object more important than another for which the government of every state has been invested with the exclusive privilege of coining money, it is that of protecting the lower classes of society, who are little competent in this particular to protect themselves from the risk of loss in receiving their stipulated wages, or other payments. And this function of the sovereignty of issuing coin, which, under the strongest sanction, certifies to every member of the community the weight and fineness of the money which he may be entitled to receive, is justly guarded against the interference of private individuals, by the severest penalties. But, by a strange inconsistency, while such care is manifested to secure the community from being imposed upon by metallic money of less than standard value, every adventurer who chooses to follow the trade of a banker, is allowed to issue a spurious paper money, which, having neither intrinsic value, nor any adequate security for eventual convertibility, is, in too many instances, neither more nor less than a fraud: a fraud of which the most numerous, and most helpless classes, and those who can least bear the loss, are most commonly the victims."

Amongst other misconceptions contained in this paragraph, it is obvious that Mr. Tooke has quite overlooked an important



distinction betwixt the cases of an issuer of counterfeit money, and of this spurious paper money, as he calls it. A person who signs his own name to a promissory note, issues it for what it is, viz. for his own promissory note; and, however worthless his credit is, if it circulates at all, it circulates upon the strength of that credit: but one that issues counterfeit coin pays it for what it is not, viz. for the coin of the realm. Therefore, Mr. Tooke's argument can only apply to one that issues a *forged* promissory note, and for that offence the penalty of the law is as severe as against the issuer of counterfeit coin.

Whenever the people have discovered the means of relieving themselves from the difficulties which state necessities have imposed upon them, it has rarely happened that they have been benefited by the interference of government; but if such an interference has not done good to the public, it has frequently done injury. Queen Elizabeth's reign, and the period immediately succeeding it, supply us with a fact strongly illustrative of this truth.

From the time that the value of money was increased by Elizabeth, there became a growing necessity for coins of smaller value than the smallest silver piece; this was a natural consequence of making that which had once passed for twelvecpence, come down to twopence farthing. For some time tradesmen issued farthing and halfpenny tokens, which they pledged themselves to take back at the value at which they were issued. The use of these tokens furnished a grand subject for popular clamour. It was alleged that the poor experienced great loss from this system, as such tokens were only to be repaid at the same shop whence they were first issued. In the following reign of James the First, Sir Robert Cotton estimates that in London there were then upwards of three thousand tradesmen who issued this small money, and that one with another they issued about five pounds each, making a gross sum of 15,000*l*. This was con-

sidered an enormous amount, and a case was thought to be made out for the interference of government. The crown, therefore, took upon itself to provide this small money. But mark the consequences. In the next reign, that of Charles the First, those who had the royal patent for issuing this small money, issued not merely to the amount of 15,000*l.*, but as much as 200,000*l.* worth of it, and the poor people at last could not find even one shop where they could pay a farthing of the money. The patentees were bound to take it back when tendered to them; but, on the alleged plea that a great deal of it was counterfeit, they refused, and the loss fell upon the holders. Thus, to save the community from a possible loss of a portion of 15,000*l.*, a loss to ten times the amount was imposed upon them, by giving them the benefit of money coined with the sanction of the government, and under the pretence too of "protecting the lower classes of society from the risk of loss in receiving their stipulated wages."

It is doubtless the duty of government to make laws for the due payment of stipulated wages; but it is also incumbent upon them to afford every facility to enable the lower classes of society first to make the stipulation. The evil which presses upon them in these latter days is, that they are unable to obtain a stipulation for wages adequate to their subsistence, and not that they are unable to get paid when they *have* obtained the contract, and done the work.

If it were a fact that the function of issuing money, being wholly vested in the crown, had secured the lower classes of society from risk of loss in receiving the amount of their stipulated wages, it might furnish a reason why that power should continue to be solely vested in the crown. But our history abundantly shows that it was by the crown that the specific value of our money was so greatly diminished, from the reign of Edward the Third to that of Henry the Seventh, and so wretchedly debased, as well as diminished, during the reigns of Henry the Eighth and Edward the Sixth. And

though Elizabeth partially restored it, that is, the silver part of it, (to do which she inflicted great hardships upon the bulk of the people), yet, before the conclusion of her reign, she herself began to tamper again with the money, and her successor, James, considerably diminished the specific weight of the gold part of the coinage. His son Charles was prevented merely by want of power from again reducing the worth of our silver money to one-fourth of the value to which Elizabeth had restored it; although, as we have seen by his reply to the Scotch remonstrance, he was as indignant as Mr. Tooke can be, at his subjects daring to interfere with the crown in its exclusive privilege of issuing money. To say nothing of the manner in which James the Second exercised his kingly power of coining money in Ireland, by which, on the success of his son-in-law, the lower classes of society were compelled to take one farthing for that which had been paid to them as one shilling; it has been seen that, in the time of William the Third, the crown was for a long time compelled to sanction the currency of money, by receiving it in taxes, which was enormously below the standard; and that the evil was only at last surmounted by investing a company of merchants and bankers with the privilege of issuing their credit as currency, and by the king not merely granting to his subjects the power of issuing money, but by his absolutely surrendering for a time his own power of continuing the coinage of gold. Lastly, under the operation of the bank restriction act, the lower classes of society were compelled to take a bank note in payment for twenty shillings in wages, when the metallic value of it was not more than thirteen or fourteen shillings. This, it will perhaps be said, arose from the misconduct of the bank of England. But they who would lay the fault upon the bank, know not, or have not regarded, the circumstances which led to the bank restriction act. The necessities of the bank of England (though made the stalking-horse for obtaining that act) were in fact a secondary cause; the necessities of



the government were the primary one : and had not the bank of England been ready to stand betwixt the government and the public at that time, in the issues of credit money, there is every reason to believe that a paper currency would have been issued directly from the English government, like that of the French government ; and English money would have shared the same fate as the French assignats ; in which case the people, instead of losing six or seven shillings in the pound, would probably have lost twice that sum.

The same error relative to the nature of our local currency, which is observable in the foregoing extract from Mr. Tooke's pamphlet, appears to have had considerable influence upon the minds of other writers on this subject. It is a singular coincidence, that Mr. Ruding, Mr. Tooke, the Edinburgh Reviewer, and Mr. Drummond, have given their sanction to this error in nearly the same words :—Mr. Ruding says, “ The political *reason* by which government is guided in permitting individuals to form money of paper, which has no intrinsic worth, whilst it punishes with death the striking it in real gold and silver, has never yet been detailed to the public, and therefore I presume not to conjecture what its nature may be. All I dare to contend for is this, that a coinage which costs a man nothing will probably be carried to a greater extent than that wherein materials more costly are employed.” *Annals of the Coinage*, v. i. p. 191.

The Edinburgh Review :—“ With an Irish sort of consistency we hang a man for issuing a spurious sixpence, and allow every adventurer, however unprincipled, to open a money shop, and to thrust out notes, not worth the paper on which they are engraved, into circulation !” No. 86, p. 273.

Mr. Drummond says, “ Issuing notes is not trading, but coining money : a power which no sovereign but that of England ever suffered to depart from his own hands, and which never can be safely lodged in any other. If it is deemed necessary to continue the punishment of death as

the penalty for putting into circulation worthless coin, it is passing strange that no penalty whatever should be affixed to putting into circulation worthless paper. It would puzzle a whole college of Jesuits to explain the moral difference between the two offences; and the evil to the community must be acknowledged equal in both cases. No promissory notes, payable on demand, ought to be issued by any company or individual, but the bank of the state." *Elementary Propositions, Fourth Edition, p. 45.*

So obvious a mistake concerning the value of local notes having been adopted by these distinguished writers, may serve to show, that the subject has been in general very superficially investigated.

The author of that article in the *Edinburgh Review*, from which the foregoing paragraph is taken, says, "It seems, therefore, to be quite indispensable that a complete and radical change should be made in the entire system of country banking—that government should interfere, to put down a system that naturally and unavoidably leads to periodical revulsions that plunge thousands into bankruptcy and ruin; and that, when it gives private individuals the power to issue money, it ought at the same time to have ample security, that the public shall lose nothing either by their improvidence or their fraud." Page 280.

"To effect that improvement in the system of banking in England, which is so essentially necessary, three different plans (he adds) have been proposed, viz. 1st, to repeal the statute of 1708, and allow the formation of joint-stock bank companies, with numerous bodies of partners, on a plan similar to those established in Scotland; 2nd, to suppress all private bank notes for less than 5*l.*, and to supply their place with coin, or with smaller notes of the bank of England; and, 3d, to allow private banking companies to issue notes, as at present; but to oblige such as chose to avail themselves of that power,

to deposit securities for their payment in the hands of government."

In commenting upon these plans, the author adduces many reasons to show that the first would not effectually prevent the recurrence of those money evils which have been just inflicted upon us.

The second, he says, is much better calculated than the first to give security to the public.

But as he contends that it is "at once unnecessary, oppressive and inexpedient," forcibly to suppress "the smaller notes of such country banks as are willing to find security for their repayment," he proceeds to advocate a local credit currency, upon the principle of its being always redeemable in "*a given and unvarying* quantity of gold and silver;" country bankers being required "to deposit in the hands of government as much stock as should be equal to the whole, or at the very least, to three-fourths of the entire stamps issued to them, as well for large as for small notes."

"There can be no question," says this writer, "that parliament will be justly chargeable with the most culpable inattention to the public interests, if it does not interpose its authority, either entirely to prevent the issue of small notes by the country bankers, or to subject those who issue them to the obligation of finding sufficient security for their payment. *It is in vain to attempt to palter with the existing system.* Without the adoption of one or other of these plans, it will be found to be altogether impossible to give stability to the pecuniary transactions of the country, or to prevent the endless recurrence of those ruinous variations in the supply of money, which we have shewn to be inseparable from the present system."

But before the conclusion of the article was written, it appears that parliament had announced its intention "to interpose its authority entirely to prevent the issue of small notes." It



had anticipated the Reviewer, and deeming it "*in vain to attempt to palter with the existing system,*" had resolved at one fell swoop to carry away all notes under 5*l*. But mark the turn which the Edinburgh Reviewer then gives to the subject.

He had previously proved, to his own satisfaction, that there was nothing in the Scotch system of banking which could secure *us*, i. e. the English, from "an endless recurrence of ruinous variations in the supply of money:" he had proved, from returns made by three principal Scotch banks, whose issues, he stated, are estimated to supply "*a half of the whole paper currency of Scotland,*" that their issues had fluctuated enormously: that from the 5th of January 1810 to the 7th of January 1814, the issues of the British linen company had increased full forty per cent.; from the 7th of January 1814 to the 2nd of January 1818, they had been contracted to thirty-five per cent.; and from the 2nd of January 1818 to the 1st of January 1819, they had again increased to forty-two per cent.;—that the issues of the royal bank had fluctuated in a still greater degree, viz. from the 1st of January 1810 to the 21st of September 1816, they had sunk seventy-five per cent.; and in the course of fourteen months, succeeding the 21st of September 1816, they had increased in the enormous proportion of five hundred and thirty-eight per cent.;—and that the fluctuations of the issues of the bank of Scotland were very considerable, though not so excessive as either of the above:—he had himself inferred from these fluctuations that "it is easy to see how much the prices of all sorts of commodities, and the fortunes of all classes of individuals engaged in business, must have been affected by such sudden and excessive changes in the quantity, and consequently in the value of money:"—notwithstanding these facts, and this reasoning from them, no sooner was the intention of parliament announced to do away with small notes altogether, (and thereby to fulfil one of the plans

which this very article tells us, was *essential to give stability to the pecuniary transactions of the country*) than the Edinburgh Reviewer turns round and assures us that, with respect to the paper currency of Scotland, *he does not believe that there would, at present, be any hazard in allowing it to go on EVEN WITHOUT SECURITY as heretofore.* “As Scotchmen (he adds) we cannot but wish that no needless, and, above all, no *sudden* innovation should be made on a system with which we believe the great body of the country to be perfectly contented. And we trust, that no sacrifice will be made of the interests, *or even the wishes*, of that part of the empire, either to a blind love of uniformity, or to the claims or clamours of the rash speculators in English country paper.”

These remarks are accompanied with the generous hope that those bankers in England, who are enabled to provide government with securities for their issues, may be allowed also to continue to issue 1*l.* and 2*l.* notes, &c. He is even pleased to admit that there may possibly be twenty or thirty banks in England, to which, “from the known wealth of their partners, and the prudence of their management, it would be as safe to continue the old system, as to the *greater part of our Scotch banks;*” but as exceptions cannot, of course, be made in favour of one part of the English bankers to the exclusion of the rest, and as a change of the system “has now become necessary for the general safety,” the Reviewer expresses his hopes that the proposed plan will be so altered, as to admit of the continued issues of small notes from such English bankers as could give the government security from them, and then concludes the article by saying, “If this is done, the currency will be placed on the best possible footing; and the establishment of the system will be a great and signal improvement:” that is, if the Scotch currency system were permitted to remain just as it was, without interfering *even with the wishes of the Scotch people*, and the English bankers were made to deposit government securities

with the state to the extent of their issues, *the currency would be placed on the best possible footing, and the establishment of the system would be a great and signal improvement.*

The degree of selfishness, and inconsistency manifested in this article by the scribes of the north, has been rarely equalled. To render the thing more complete, our poorer and more cautious neighbours (as the Reviewer calls his countrymen) have actually succeeded in their object; they have eluded the straight waistcoat themselves, by persuading our common keepers that though it would sit uneasily on them, it was admirably fitted for the English people. No doubt the Reviewer's reasoning reads vastly well in Scotland. No doubt the inhabitants of that *poorer and more cautious country* ought, in their own estimation, to be intrusted with the management of their own circulating medium, without any restriction; and that English people and English bankers (though some twenty or thirty of them may rank as high as these their poorer neighbours,) ought to be bound by a law implying that both the issuers and receivers of country notes, in England, were each incompetent to manage their own concerns. It will, however, want something more than a few smooth words to make this Scotch reasoning palatable to Englishmen.

When this writer says, that "the chief object in granting cash accounts in Scotland is to get small notes circulated, and that if they were suppressed there may be some reason to fear (as he tells us) that this useful species of accommodation would no longer be afforded," he ought to have been aware that the same argument would apply to England also; but instead of meeting the question upon the legitimate ground, that to make *general* laws for superseding the necessity for *individual* prudence was an excess of legislative interference which could never accomplish the *general good*, all he really appears to aim at, on behalf of his countrymen, is to slip us into the noose whilst they slipped out of it.



If the Reviewer had believed his own assertion, that by a deposit of funded securities by the country bankers in the hands of government "*the public would be protected from loss, and the business of banking would gain both in respectability and security,*" how is it that he does not recommend that the Scotch bankers should avail themselves of such a mode of increasing the respectability and security of their banking business? As he is so anxious to avoid these professed advantages, it is fair to believe he is either insincere or foolish in stating them.

The article abounds with inconsistencies: "Panics (it says) uniformly operate with the greatest effect on the lower classes, or on the holders of small notes." And again, "Panics, which are the great cause of runs, seldom or never become general, except when the banks issue notes of so low a value as to fit them for being used in retail trade, and in the ordinary business of society." In the next paragraph: "Previously to 1797, neither the bank of England nor any of the country banks were permitted to issue notes of less than 5*l.*" Now every one knows that a panic did prevail in 1797, which compelled even the bank of England to suspend its payments; but with this fact staring him in the face, he thus proceeds: "The currency used in small payments was thus made to consist exclusively of the precious metals; and as there was *no opportunity* for a panic taking place among the holders of small notes, only very few runs were made upon the banks, and very little loss was sustained by their failure." This, be it observed, is applied to the time immediately preceding 1797. And again, he tells us, that "extensive merchants and money dealers are aware that no bank could retire all its notes in the short space of 8 or 10 days! and they are also aware that the maintenance of their own credit is intimately connected with that of the banks in their vicinity. But such considerations do not influence the holders of small notes; and, accordingly, *we find, that the crisis*

of 1797, the revulsion of 1815, and the late run, were chiefly caused by the prevalence of a panic amongst the retail traders, and small farmers." WE FIND, *indeed!* but where do we find that the crisis of 1797 was thus brought on? Certainly not in the writings of the Reviewer, for he has immediately before told us directly the contrary—he has told us that, prior to 1797, there were no one or two pound notes in England, and therefore, according to his reasoning, there were no notes in circulation fit for being used in the retail trade, and by the smaller farmers: yet in the next page he tells us, that the crisis of 1797 was caused by the retail traders and small farmers. One thing is very certain: if one and two pound notes had any thing to do with the crisis of 1797, it could only be the one and two pound notes of Scotland. But it is idle to attribute such a power to these small notes. Who ever heard of a man stopping payment for shillings, when he had got the pounds; or of a man who could pay his five and ten pound promissory notes, but could not pay his one and two pound notes?

If security be necessary, it is doubtless necessary, as the Reviewer has said, that the security should extend to the whole issues of the country bankers. But what is the security which he suggests? It is a deposit of government securities in the hands of government, that is, a deposit of unredeemable annuities, as a security for the payment in gold on demand of promissory notes to an amount ten times as great as all the gold in the country.

But the current issues of a banker do not by any means constitute the sole grounds from which a panic may arise. The banker may be ruined from a panic created by his merely holding the deposits of his customers, if he be called upon for them suddenly, and at a time when the export of bullion is profitable in a mercantile view. London bankers do not issue notes, and yet it is notorious that the recent panic commenced with them from the cause here assigned; and when

the panic was created, it occasioned the stoppage of many country banks which were perfectly solvent, as their subsequent ability to pay in full has proved ; and their stoppage might still take place, if the export of bullion were to become profitable, even were the government to hold a deposit of their own securities, unless the government were itself able on the emergency to provide the banker, at his pleasure, with gold or silver for those securities, according to some “ *given and unvarying* quantity.” If the government can devise a plan for doing this, then the banker may be expected to provide his customers, at their pleasure, with a given and unvarying quantity of either gold or silver for the deposits in his hands ; but without government can give some unvarying quantity of either gold or silver for its own securities, it is in vain to expect that those securities can be made an effectual guarantee to the public, that the holders of bank notes shall, under all circumstances, at all times receive a given unvarying quantity either of gold or silver from the banker. This brings us back to the plan which it is the design of this pamphlet to advocate, namely, the propriety of causing our circulating medium to rest upon the market price of the precious metals, and thereby to give to that medium in which the interest of our national debt is paid, precisely the same kind and degree of value, as was possessed by the medium in which the national debt was contracted and is properly redeemable.

By our plan the circulating medium, though always payable in gold or silver, would be purely representative. Its value would be derived from the same source that the national debt derives its value ; for like as our national debt represents a mortgage upon the whole property of England, and the annual interest of it a mortgage upon the whole annual productions of that property ; so the possessor of an exchequer bill, or of a bank note, or of a country note payable on demand in a bank note, would through the agency of the respective parties issuing them, be entitled to a given portion of



the national revenue, as perfectly as the holder of three per cent. consols ; and like as those three per cents. admit of being realized in the precious metals at the market price, so would this circulating medium admit of being realized in them ; and thus the metallic value of our circulating medium would at all times be intrinsically at par with the metallic value of the circulating medium of foreign countries, in like manner as the value of English funds is always intrinsically at par with the value of foreign funds.

The Edinburgh Reviewer, in the article before us, speaks of paper money on the supposition of its being circulated as an universal equivalent or legal tender, and then argues that it is quite immaterial to the value of goods, whether the aggregate circulating medium consist of fifty millions of sovereigns, or fifty millions of bits of engraved paper ; but if the fifty millions of sovereigns or bank notes had their place supplied with only forty millions, “ then (the Reviewer says), as the quantity of money in circulation would have been reduced one-fifth, or twenty per cent., the prices of all sorts of commodities would have sustained a corresponding reduction ; and if on the other hand we suppose sixty millions of one pound notes to have been thrown into circulation, the opposite effects would have been produced ; and prices, instead of falling, would have risen twenty per cent.” From this species of argument he comes to the conclusion, that “ it is quite certain that the re-enactment of the restriction in cash payments by the bank of England, and the rendering of it perpetual, would not have the least effect on the value of our paper currency, provided its quantity was not at the same time increased. But (he continues), there cannot be the shadow of a doubt that under such circumstances it would be increased. Such a measure would enable the directors of the bank of England to exchange bits of engraved paper, not worth perhaps five shillings a quire, for as many, or the value of as many hundred thousand pounds ; and is it to be supposed (he asks), that

they would not avail themselves of such an opportunity to amass wealth and riches?" Having previously observed, "that convertibility into gold and silver at the pleasure of the holder is not necessary to give value to paper money; and that, if perfect security could be obtained, the power of issuing it would not be abused, or that it would always be issued in such quantities as would render a one pound note uniformly equivalent to the quantity of standard gold bullion contained in a sovereign, the precious metals might be entirely dispensed with as a medium of barter, or used only to serve as small change;" he proceeds to say, "Unluckily, however, no such security can be given. This is a point with respect to which there can be no difference of opinion. The widest and most comprehensive experience shews that no set of men have ever been invested with the power of making unrestricted issues of paper money without abusing it, or which is the same thing, without issuing it in inordinate quantities. Should the power to supply the state with paper money be vested in the managers of a private banking company, then to suppose that they would, by limiting their issues, endeavour constantly to sustain the value of their paper, would really be to suppose that they should be extremely attentive to the public interests, and extremely inattentive to their own."

The fundamental error of this reasoning consists in speaking of bits of paper constituting an universal equivalent, without duly considering how it is that bits of paper become endowed with such a power. In these pages, we have shewn it is because the state imposes upon the community the alternative to pay its revenue either in certain bits of paper, or otherwise in certain bits of gold or silver, that the people are willing to give their labour and the product of it equally for the one as for the other; and we have shewn that for the bank of England (or any other bank which might be endowed with the privilege of supplying the state with its paper money) to supply it in such a degree as to diminish its metallic or its

foreign value, would be decidedly adverse to its own profit; and therefore we maintain, that by the plan of a credit currency, as herein advocated, the reverse of the Reviewer's conclusion would be true, and that the bank of England could not be attentive to its own interests without being at the same time attentive to those of the public: so that what the Reviewer regrets as unluckily unattainable, viz. a security that the power to issue credit currency would not be abused, we have shewn is happily attainable, and as certainly as we can assure ourselves that each man will strive to pursue his own private interest.

It is further to be observed, that whether we will or not, all our transactions in foreign trade are and must be unavoidably governed by the market price system. This is at present effected by adding to or subtracting from the pound sterling a sum which is denominated the par of exchange, as it adjusts the pound sterling in the foreign market to the market price of the precious metal there. Our foreign trade is also liable to that other means of adjustment, the course of exchange, which depends upon any variation there may be in the market in the relative amount of foreign bills of exchange offered for sale, and that relative amount often depends upon a few large bill-brokers, who have power to glut or starve the market almost at their option. In proposing then the market price system as the means of regulating the metallic value of our domestic circulation, we only propose that system which must work secretly, whether it be openly acknowledged or not.

But lest any should imagine, notwithstanding all we have said, that the application of this market price principle to our domestic circulation would cause some fluctuation in the metallic value of our credit currency, and thereby greatly inconvenience the community, we beg to call his or their attention to what was the fact whilst the bank restriction act was in operation. It is notorious, that under the operation of that act, the wants of the state were such as to cause gold to vary



in its relative value to bank notes in an enormous degree, in such a degree as probably never would have been witnessed if the system had been publicly avowed ; and yet, whatever other evils might and did arise from the bank not being bound to pay in gold on any terms, no confusion was ever felt in our domestic circulation from the fluctuations in the value of gold.

There is one other error in the Edinburgh Review which it may be proper to glance at, seeing it has been since sanctioned by Mr. Hume and Mr. Huskisson in the House of Commons, viz. the calling upon government to compel local bankers to make their 5*l.* notes, &c. payable at the place where they are issued, rather than in London. If the Reviewer had been *practically* acquainted with the principles of English local currency, he would have known that the conveniency of the public was best consulted by these 5*l.* notes being made payable in London, because there is an uniform demand for cash notes payable in London throughout all parts of the kingdom ; and were it otherwise, cash notes, payable in London, always admit of being easily put in the way of payment, however distant they may be from the place where they may have been issued ; whereas, a note payable only at the place where it is drawn is oftentimes not easily negotiable thirty miles off, if it happens to be in some direction where there is little or no intercourse with the town where the note was drawn. It is marvellous that this subject has been argued upon the ground, that it would be a great hardship if the holder of one of these notes, payable in London, were obliged to take coach from Birmingham or Wolverhampton, or any other part of England, to London and back, in order to get it paid ; as if the use of the post-office were not known, or as if the parties advancing this clumsy objection to notes payable in London were ignorant that it was as applicable to bills of exchange payable in London as to cash notes. But this suggestion for the management of our English currency comes with a singularly

bad grace from the Reviewer, who, we have seen, thinks it wrong, for even the wishes of the Scotch people, in matters relative to their currency, to be interfered with by parliament. We object not to our Scotch neighbours having their own wishes gratified with respect to their own local notes. We are aware that in Scotland, to obtain cash notes payable in London, subjects the party who wants them to a charge of twenty-one days' interest for the accommodation; and if they delight in having it so, we are willing: but let them not impose such benefits on us, by attempting to find out a similarity betwixt their suppressed currency, of notes payable six months *after* demand, and our English cash notes, payable in London *on* demand. Some country banks issue 5*l.* notes payable in London, some make them payable at the place where they are drawn, and some payable in both places. In their arrangements in this respect, bankers do that which best suits their own trade; and they who take their notes, take them not out of any accommodation to the bank, but to suit their own convenience in return. It would be unreasonable to make it obligatory on all bankers to make their notes payable both in town and country, (although some of them do it voluntarily) because it supposes them to make a provision in both places for their payment; and if they are only made absolutely demandable in one place, every person in the local districts of England knows that it is more for the convenience of the public that that place should be London, than any other. We cannot, therefore, but think that our Scotch neighbours are a little tainted with self-conceit, when they manifest a zeal to make us conform to their plan in this matter: at least, it indicates bad taste in a Scotch writer to offer an interference with the local currency of England, when in a few pages afterwards he protests against any interference even with the wishes of his own countrymen on the subject.

But the question which vitally concerns us now, is not whether

5*l.* notes shall be made payable in London or the country, nor merely whether the 1*l.* and 2*l.* local notes shall be done away with; but whether we shall continue our money system on the terms prescribed by the bill of 1819, and thereby perpetuate a low rate of wages, and a low rate of comfort to the people of Great Britain, until her shores shall be deserted by all her able-bodied and industrious people, and until her cities and fruitful fields shall become a scene of confusion and decay, and an habitation for the cormorant and the bittern; or whether we shall endeavour to relieve our money system from the evils which are inseparable from the bill of 1819, and by an easy and almost imperceptible alteration in that bill, provide a safety-valve to our credit system, and thereby give to the people of England a higher rate of wages, and a higher rate of comfort, without its being necessarily followed by the destruction of our national credit. There can hardly be a doubt to which of these alternatives any rational man will give the preference. Let then that preference be generally expressed. Let us avail ourselves of the advantages which our national credit is capable of affording to us,—advantages which are as great to our commercial transactions as our coal mines and rivers are to our mechanical operations, and which advantages, it may be, have resulted in great part from a long series of national troubles. Let us avail ourselves of the uses to which the credit of our great national bank, and the credit of our local banks, may be made subservient; and let not any envious or narrow policy prevent us, arising from a fear, that whilst the banks of the kingdom are made beneficial to the community, the proprietors of those establishments may, in return, derive some benefit from the community. Neither let any petty jealousy exist betwixt the local bankers and the bank of England. In one word, let the shackles which the bill of 1819 has imposed upon the productive powers of our country be only removed, cash payments being established



upon the market price system instead of an unvarying price, and we shall soon behold the garners of England full and plenteous with all manner of stores, her pastures well stocked with flocks and herds, her sons grow up healthy and vigorous, and the voice of complaint no more heard in her streets.

By the money system herein advocated, it is certain that our circulating medium would be chiefly supplied by credit, but it would be credit possessing all the power of gold, with greater activity and more uniform principles of application. By this system all the equity of barter is combined with all the conveniency of money ; and though our currency under this system be mainly supplied by national credit and mutual confidence, let it not therefore be despised. A man is not insensible to the use of his coat, because he may happen to know that the power by which it was spun and woven was generated by the mere vapour of a steam-engine judiciously directed : wherefore then should we think lightly of our circulating medium, on account of its being chiefly supplied by credit, seeing that credit in England has performed, and under judicious regulations is still capable of performing, the same operations which gold and silver perform for our neighbours.

Even Mr. Cobbett, who declares himself to be the great enemy of the credit system, admits that it may be thus profitable to us: "Pitt (says he, in the Register of 23d of June, 1827,) instituted a system of giving credit. He built immense warehouses, into which merchants might put their cargoes, which remained thus locked up by the government till the merchants were able and willing to pay the duties upon the cargoes ; so that the importer having first, perhaps, given bills, as they are called, that is to say, gone on tick for the cargo, next put the cargo in pawn for the duty ; then, when he found a customer, or could get his price, went on tick again to raise money to pay the duties ;

then took the cargo out of pawn; then sold the cargo, and, perhaps, got something by it, after paying the bills that he had drawn for the purchase of the cargo, and after paying the duties; *and thus, had a Gain upon the whole, without ever having possessed, of his own, one farthing of money from the beginning.*"

Shall we throw away these advantages for the sake of restoring to gold and silver an absolute value, and so again make of them a monster capable of devouring the best interests of the people?

But the author of these observations is nevertheless aware that there are oftentimes many difficulties in the way of accomplishing that which is right, even after the right has been pointed out. He is aware that many will say, we have some glimpses of the promised land, and should be very glad to enter into the possession of it; but alas, the ministers of the crown are pledged to the present system, and like the children of Anak they are great and powerful, and likely enough to value what the world calls *their own* credit even more than the prosperity of their country. Let it be granted that this is the case. Let it be admitted, that they are as much pledged to the bill of 1819, as Queen Elizabeth was pledged to fulfil the motto upon her coin, "*semper eadem.*" Yet, even then, there is no reason to fear that the right shall not ultimately prevail. Queen Elizabeth persevered in her money object ostensibly after she had departed from it secretly: so have our ministers—to wit, the small note bill of 1822. She then made a small alteration in her system, asserting that it was only for a little time that the alteration would continue. So have our ministers—to wit, the present toleration of the small notes. She then obstinately persevered in the fulfilment of her motto, until the Lord Treasurer was compelled to acknowledge that the nation was losing 500,000*l.* annually; and then, notwithstanding all her pledges to the contrary, she was obliged to abandon her motto, and her determination of

causing the pound sterling to be represented always by a fixed and unvarying quantity of metal. And however his majesty's ministers may resolve, we may feel well assured that their determinations must ultimately yield to that monster which the bill of 1819 has again revived, and which even Queen Elizabeth could not conquer. They may manifest more obstinacy than even Queen Elizabeth manifested. They may cause the people to suffer more than she could bear to inflict : but they cannot accomplish impossibilities ; and the longer they persevere in the attempt, the greater must be their present uneasiness and their future mortification.

Judging from our custom-house returns, there is too much reason to fear that England is at present losing in her exchange with other parts of the world in a ten or twenty-fold degree more than was experienced in Elizabeth's time. It appears, by the report for the last year, that for exports valued at about sixty millions sterling, and which it is probable contain capital, skill, or labour, to make them equitably worth that sum, we are receiving in return imports valued only at about forty millions sterling. Even supposing we get a few millions in specie, in addition to these imports, there is still ample scope left for a large national loss.

If we were exporting only our superfluous produce and superfluous goods, it would be a matter of comparatively little consequence ; but when, to meet our home demands for money, our workpeople are deprived of shirts to their backs, and blankets to their beds, and when our manufacturers and our farmers are parting with their capital as well as their produce, in order to force a scanty supply of bullion from abroad, and when the receivers of British annuities and British rents, resident abroad, are drawing that specie again from England which it costs us such sacrifices to obtain, it must be obvious to every one that the evil is of a character which, in the nature of things, cannot possibly be of long duration.

Whilst the currency plan herein advocated differs essentially



from all others before the public, it will be seen that the arguments from which it derives support are strengthened by the opinions of different parties; and that their views, which otherwise clash with each other, also admit of being reconciled by the present plan.

Thus, when Mr. Ricardo maintains that the proprietors and farmers of lands in England may be ruined by a succession of abundant crops, we admit that, under the existing cash laws, it may be so; but we do not agree with Mr. Ricardo, that, to remedy this, and to support that money law which his opinions greatly contributed to establish, we ought to suffer the inferior soils of the country to go out of cultivation; because we agree with Dr. Adam Smith, who, on the other hand, maintains that the extension of the productive powers of a nation constitutes its strength, and because we think that Mr. Ricardo's object of saving the agriculturalist from ruin is achievable more effectually by a correction of the laws which govern the money value of produce, than by the annihilation of the produce, or of the means of production. The way of effecting this, our plan provides; for, by it, the means of discharging money obligations would be derived from all property in common, not from gold and silver exclusively, and therefore the more property the nation possessed, the greater would be the aggregate *money* value of that property.

Again, it is the basis of our plan, that English credit currency shall always be redeemable in gold or silver on demand. In strenuously maintaining this point, we yield not to the bullion committee of 1810, or to the advocates of cash payments in 1819. We, therefore, are entitled to the support of every argument which goes to establish the necessity of cash-payments. But we are at variance with the mode in which the bill of 1819 attempts to attain its object; because the history of our forefathers testifies, and our own experience corroborates the fact, that the plan by which the bill of 1819 seeks to attach a fixed and uniform value to our English currency,

must, under the influence of private interests (the constant operation of which ought always to be taken into the account) actually subject the value of our currency to enormous variations. By the plan now brought forward, we provide for the possibility of a variation in the specific quantity of metal by which the pound sterling shall be represented, and yet we have shewn that it only requires the bank directors and their competitors each to pursue their obvious interests, to make the value of money fixed and invariable under it.

We can also agree with the warmest advocates of a credit system. We can conceive it to be, as Sir John Sinclair would say, "the mine of national prosperity;" but if it be not accompanied with cash payments at all, or if it be accompanied with them on the present terms of an invariable amount, however rich in metal this mine may appear to be, we are compelled to admit that we had better relinquish the advantages than venture to pursue the system, as the vein may be lost to us at any time, leaving us in greater poverty than if we had never known its riches.

The opinions of Sir W. Petty upon Absenteeism, which have been recently revived in the *Edinburgh Review*, and the arguments of Mr. Huskisson on Free Trade, would be true both in theory and practice, if the currency of our country were placed upon the footing here advocated: we could therefore agree with both; but under our existing money law, experience tells us, that by the freedom with which we can export money and goods, and the difficulty we have of getting an adequate return, we are fast approaching the condition which Ireland was in, when, from the scarcity of money there, in proportion to their obligations, it was easier for the lower classes of society to give forty-nine days' labour for the use of the state in the course of the year, than two shillings in money.

Mr. Cobbett insists that there is no salvation for the country, but by his plan of equitable adjustment, by which crown

lands, church lands, and the like, should be extensively appropriated to the discharge of the public engagements, and by which the fundholder, and every other holder, should be cut down to a much lower scale of income; in order, we suppose, that John Bull should be sweated down, so as to bring his person and his property within the limits of a metallic currency. Mr. Cobbett's plan, however, savours too much of that which was adopted by Buonaparte, by Cromwell, by Edward the First, and by all the lovers of arbitrary power, to admit of its being palatable either to the man of wealth, or to the man of reflection. If military power were to prevail, it might be acted upon; but whilst the civil power has any sway, we trust, for the sake of all classes, poor as well as rich, that we shall be preserved from the calamities which must attend equitable adjustment on Mr. Cobbett's plan. But, decidedly opposed as we are to his views, we must nevertheless admit that he is correct in his argument, when he contends that under a metallic system of currency, or under the system as it now exists, the money price of agricultural produce must become so reduced, that the farmer will be unable to pay his rent, the landlord his taxes, and the government its annuities. We would even go further than Mr. Cobbett, and assert, that when the farmer shall be unable to pay his rent, he will also be unable to employ his labourers, or at least to pay them; and that the labourers' condition will be the most wretched of all. We also agree with Mr. Cobbett, that in equity, the labourer is the last man in the kingdom who ought to go unfed or unclad—like the ox which treads out the corn, he is entitled by the laws of equity to taste the first fruits of the produce; and if it were an established fact, that the nation could not produce food and clothing for the whole population, then we admit that the landlord ought to relinquish his rents, the fundholder his annuity, the clergyman his tythes, and that the whole of the unproductive part of the community should go unfed and unclothed—yea, that statesmen and



*periodical* writers, who work with their heads and their pens, rather than with hands and spades, should give up *their* bread and cheese, and that the emigration committee should itself be exported—before able-bodied and industrious labourers should be forced from their country to seek the supply of their moderate wants in a foreign land. Fortunately, however, it cannot be established as a truth, that the nation does not produce food and clothing adequate to the supply of the whole of its people; for three times since the peace, experience has given its testimony to the fact, that when the circulating medium has been allowed to expand in a degree equal to the payment of adequate wages to the people, each time the quantity of food and clothing has been found quite equal to the supply of all classes. Whilst, therefore, Mr. Cobbett contends for a metallic currency, for perseverance in Mr. Peel's Bill, and for the contraction of the money value of every thing to a metallic scale—we contend for the establishment of an equitable credit currency, a currency which shall stand in an equal relation to every kind of property, not merely to gold and silver; and of which every man who has labour to bring to market may be secure of a portion sufficient to supply his wants, and to give him his just share of that national wealth which his labour contributes to produce.

It is difficult to anticipate every possible objection that may be made to the plan, which it is the object of these remarks to bring before the public. Those, which appeared to the writer most obvious, he has noticed; and he can add, that in all the discussions he has heard, and all the writings he has read upon the subject, he has never met with an objection which did not admit of a satisfactory answer.

Amongst those who have favoured the author of this work with their sentiments upon the plan, as brought forward in his pamphlet published two years ago, one gentleman expressed an apprehension lest it should open a door to gambling in the currency, in like manner as in the funds. As the

same apprehension may secretly exist in the minds of others, the author deems it right to state his reply.

It is agreed, that the market price of the precious metals is to be determined by the bank of England making a *give* and *take* offer, in like manner as the market price of any other commodity (the quality of which admits of being equally clearly ascertained) is determined when a merchant, of acknowledged ability, offers to give or receive from time to time a certain price for any quantity of it. This very circumstance then is destructive of the spirit of gambling, for that is fostered by the chance of buying at one price and selling at another, which chance is altogether frustrated by a *give* or *take* offer. If the bank could do the same with three per cent. consols, stock-jobbing itself would cease, although stock-dealing might continue; and perhaps there is no reason why the bank should not do this, when the foreign and home value of English money shall become adjusted by one and the same principle; and when that currency in which the interest of the debt is paid, shall possess precisely the same character as that in which the debt itself is vendible. Uncertainty is the field in which gambling sports, especially if the principle that determines the game be only known to the few: such a field the money system of England at present offers. The bank of England governs the issue of money—the foreign exchanges govern the bank—the course of those exchanges is governed by a few monied individuals—those individuals are governed by self-interest, and that man is the deepest stock-jobber, who can best guess at the turn which it is the interest of those individuals to give to the stock market. So long, therefore, as the present money system continues, the pecuniary difficulties of the nation must continue; the public being subjected either to continued poverty, or relieved only by temporary gleams of wealth, terminating in a season of accumulated distress. While this continues, the spirit of gambling will be in active operation: stop it, and gambling ceases.

It is the object of the proposed plan, to take this absolute power out of the hands of those few individuals who govern the course of exchange, who can act or remain dormant at their pleasure, who are pledged to nothing but their private interest; and to vest a conditional power in the directors of the bank of England, the conditions of which are such, that they could not use their power for the benefit of the bank without promoting that of the public, neither could they abuse their power to the injury of the community, without inflicting greater injury on the bank.

When the time shall come for this improved money system to be adopted, which, for the sake of the welfare of England, we hope is not far distant, we may be prepared to offer a few hints which may further tend to the improvement of our credit currency. At present we conclude by repeating the heads of that plan which has been suggested.

1st, That bank of England notes be made a legal tender for all payments of the value of one pound and upwards.

2dly, That the bank directors be required to pay their notes on demand in gold at the market price, and to receive gold on account, or in exchange for notes, at the same price.

3dly, That in order to ascertain or fix the market price, the bank directors be required to give periodical notice of *the* price at which they will give notes for gold, or gold for notes, or receive gold on account. Such notice to continue in force till the stated period for its renewal.

4thly, That as it might be for the temporary interest of the bank directors, to enhance the value of their notes and of the securities lying in their hands, by depressing the value of gold, it be determined that the present mint price shall be the minimum to which the market price shall descend: which is to say, that the English mint shall always be open for the free coinage of gold, and that 5 dwts. 3 grs. of standard gold, coined into a sovereign, shall never be of *less* value



than a pound sterling, although by possibility it may be of somewhat *more* value.

Taking the above suggestions as the ground-work of our plan, we now propose that, to save a needless expence in coinage, bars of gold duly assayed and stamped at the mint, shall be allowed to constitute the medium of cash payments for all sums above one, two, or three hundred pounds, as may be agreed upon; and that such bar gold shall always be estimated at such a given rate per ounce less than coined gold, as may be equivalent to the cost of coinage. For example, if coined gold were 3*l.* 17*s.* 10½*d.* per oz., let bar gold be 3*l.* 17*s.* 6*d.* per oz.

The same regulation to be applied to large payments of silver, supposing government should deem it expedient to adopt the use of silver as well as of gold in large payments.

The regulation proposed for the government of the local currency is, that country bankers be required always to meet their issues either in *coined* money, or bank of England notes.

THE END.

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